

Today August 14 1992  
Cover

## Weekend FT

Inside section II.  
16 Pages

EUROPEAN  
INVESTMENT  
SPECTACULAR  
WEEKEND

*Dieppe raid*

The Dieppe raid: a  
propaganda fiasco

Page I



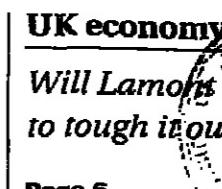
Inaki Perurena: a  
Basque heavyweight

Page VIII



A round with  
Nick Faldo

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UK economy  
Will Lamont try  
to tough it out?

Page 6

# FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

D.8523A

## Banks call loans to Italy's Efim into default

Some 150 international banks yesterday called into default their loans to Italian state holding company Efim. The banks are angry about the Italian government's announcement on Thursday that they would receive substantially below market interest rates on the loans and its move last month to put Efim into liquidation. Page 22

**Datastream sale:** Dain & Bradstreet, US business information group, is to sell Datastream International, London-based on-line information operation, to Primark, a Virginia-based holding company, for \$191m (£100m). Page 10

**Help for insurers:** The government actuary has told life insurers he will relax regulations regarding the calculation of regulatory solvency margins. The move will ease pressure on with-profit life companies to sell some of their equity holdings at what could be the bottom of the market and move into bonds. Page 4

**Share prices rise sharply in London:**

**FTSE 100 Index:** Good news on inflation

in Germany and the UK drove share prices sharply higher in London. Although traders warned that the advance involved hasty activity by marketmakers caught on the wing foot, the gain of 3.8 on the FTSE 100 index, which closed at 2,356.8, was the best performance since the end of last month. Page 13; Weekend II; Lex, Page 22

**Valuation warnings:** More than 400 of London's 2,500 properties are likely to be overvalued for council tax, which replaces the poll tax next year, according to the Association of London Authorities. Page 5

**Harland loses orders:** Belfast shipbuilder Harland & Wolff has lost orders for two bulk carriers for Hong Kong-based China Navigation Company, which blamed the weaker dollar for increasing the real cost of the ships. Page 5

**Frederick Jäger:** Former East German prime minister Willi Stoph, 78, charged with manslaughter for issuing shoot-to-kill orders to Berlin Wall guards, was released from jail in Berlin because of his poor health. Former East German leader Erich Honecker, 78, is charged with the same offence.

**Iranian diplomat:** Iran has ordered the expulsion of an Iranian diplomat in retaliation for Iran's expulsion last month of British diplomat Geoffrey Brammer.

**Extradited:** Gerard Haworth from west Belfast, acquitted in Germany on IRA-linked terrorist charges, was extradited from Ulster from where he jumped bail while awaiting trial on arms charges. Page 4

**Two die in helicopter crash:** A child and an adult died and three people were seriously hurt when a helicopter owned by Air Hansen crashed into woods near Bracknell, Berkshire.

**Minister released:** Anti-government rebels in Abkhazia, west Georgia, which claimed independence last month, were reported to have released interior minister Roman Gvantsadze when troops moved into the area, but kept other officials hostage. Page 2

**Finance group to go private:** Bernard Tapie, controversial French businessman and politician, is to return his holding company, Bernard Tapie Finance, to private status in the autumn. Page 10

**Change of views:** Bristol & West, 10th largest building society, has joined the British Retail Consortium, the retailers' lobby group known for its confrontations with banks and building societies over the pricing of financial services. Page 4

**Recapitalisation plan:** First City Bancorporation, troubled Texas bank, put forward a recapitalisation plan involving the disposal of about a third of its assets which, it said, would bring its finances into line with regulators' requirements. Page 10

**Baby kidnapped:** A woman posing as a childminder kidnapped six-month-old Farrah Quill from the baby's home in Plaistow, east London.

**STOCK MARKET INDICES**

STERLING	
FTSE 100:	3,350.0 (+30.6)
Yield:	5.11
FTSE Banktrack 100:	-1,942.13 (-45.4)
FTA All Share:	1,118.79 (+4.55)
Nikkei:	14,220.25 (+32.00)
New York Lunchtime:	
Dow Jones Ind Ave:	3,329.82 (+6.75)
S&P Composite:	419.07 (+1.34)
US LUNCHEONTE RATES	
Federal Funds:	3.1%
3-mo T-bills 8% Yd:	3.11%
Long bond:	8%
Yield:	7.32%
LONDON MONEY	
3-mo Interbank:	18.3% (10.4%)
Lift long gilt future:	Sep 97 11 (Sep 96 5)
NORTH SEA OIL (Argus)	
Brent 15-day (Oci):	\$20.05 (19.9)
Gold:	\$334.8 (334.1)
New York Comex (Aug):	\$334.8 (\$334.1)
London:	\$335.45 (\$338.25)
	Tokyo close Y 126.03

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Austria Sch30; Bahrain Din 1.000; Bermuda \$1.65; Belgium BPn90; China FEC 12; Canada C\$1.40; Cyprus C\$1.00; Czechoslovakia Kcs35; Denmark DKr14.00; Egypt E£1.00; Finland Frk1.00; France FFr8.50; Germany DM 3.00; Greece Dr260; Hong Kong HK\$16; Hungary Ft192; Iceland ISK100; India Rupee 8.00; Israel NIS.50; Italy L2500; Japan Yen 2000; Kuwait Frs.500; Lebanon US\$.125; Luxembourg UFr6; Malaysia RM1.50; Malta Lmt.50; Morocco Dh1.10; Nigeria Nair120; Netherlands Ft8.50; Norway Kr1.00; Oman Cr1.20; Pakistan Rupee 45; Portugal Esc1.70; Qatar QR10.00; Saudi Arabia 10; Singapore S\$4.10; Spain Pta200; Sri Lanka Rupee 120; Sweden Skr14.00; Switzerland SFr3.02; Taiwan NT\$2.00; Thailand Baht 1.00; Tunisia Din 1.00; Turkey Lira 200; UAE Dirham 1.00; USA \$1.75 (Alaska & Hawaii \$1.75)

FINANCIAL TIMES © FT No 31,837 Week No 33

German and UK figures bolster confidence

## European shares rally as inflation rates decline

By Emma Tucker  
and Terry Byland

Prices fall sharply in Germany ..... Page 2

Drop in food prices cuts inflation ..... Page 4

Editorial comment ..... Page 6

Much ado about nothing ..... Page 6

London shares ..... Page 13

Lex ..... Page 22

by fears that sterling's weakness might force up domestic interest rates, deepening the recession.

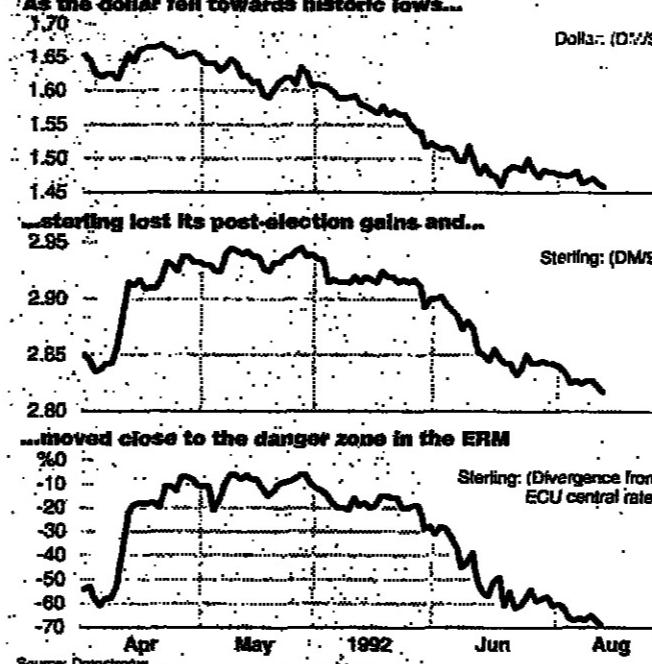
The 0.4 per cent fall in Britain's RPI between June and July added to evidence that inflation is being successfully squeezed from the economy. Earlier in the week, figures had shown that the prices of goods leaving factories - often used as a measure of core inflation - were at their lowest for 25 years last month. Labour market data on Thursday showed the rate of average earnings growth slowing sharply to 6 per cent in June.

Yesterday's figures from the Central Statistical Office showed that July's headline inflation figure was the same as last October - after which it jumped back to 4.3 per cent. This month it is expected to resume its downward path. Excluding mortgage interest payments, inflation fell to a four-year low of 4.4 per cent, from 4.8 per cent in June.

The good news on inflation is expected to encourage ministers back on to the offensive over the government's economic strategy.

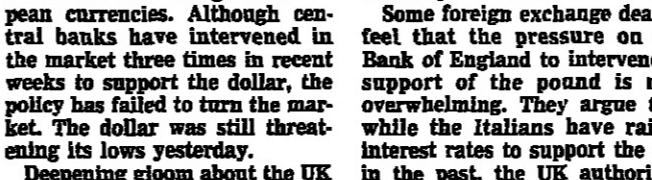
Continued on Page 22

As the dollar fell towards historic lows...



...Sterling lost its post-election gains and...

...moved close to the danger zone in the ERM



Continued on Page 22

## Bank under pressure to intervene as pound falls

By James Blitz, Economics Staff

STERLING AGAIN threatened to fall below DM2.81 in the foreign exchange yesterday, compounding pressures on the UK government to bolster the currency's position in the European Monetary System.

The pound finished trading at DM2.8150 in London, its lowest close since Britain joined the Exchange Rate Mechanism in October 1990.

It is now less than 4 pence above DM2.7780, its absolute floor against the German currency in the EMS. If sterling drops to that level, the UK authorities will be forced to sustain the pound either by heavy intervention in the foreign exchange markets or by raising interest rates.

Alternatively, as some dealers suggest, the authorities could unilaterally devalue the currency inside the system or leave the EMS altogether - both of which the British government has adamantly ruled out.

Sterling's fall continues to be driven by the dollar's weakness. Traders are selling the US cur-

rency for D-Marks which raises the D-Mark's value against European currencies. Although central banks have intervened in the market three times in recent weeks to support the dollar, the policy has failed to turn the market. The dollar was still threatening its lows yesterday.

Deepening gloom about the UK economy is exacerbating sterling's position. Even yesterday's good figure for retail price inflation, down 0.2 percentage points

in July, had little impact on the currency markets.

Some foreign exchange dealers feel that the pressure on the Bank of England to intervene in support of the pound is now overwhelming. They argue that while the Italians have raised interest rates to support the lira in the past, the UK authorities are not providing a good enough rate of return for sterling investors.

Continued on Page 22

## Writ queries auto cash security

By Ian Hamilton Fazey  
and Alan Cane

SEVERAL of Britain's cash dispenser networks do not employ a critical security measure which protects the secrecy of personal identification numbers, according to a writ issued this week on behalf of eight customers who claim phantom withdrawals have been made from their accounts.

The writ lodged in the High Court, but not yet served, names four banks and one building society which it claims do not properly use computerised security modules in their automatic teller machine (ATM) networks.

It says these modules should

make it impossible for anyone to get into the systems and learn a customer's personal identification numbers (PINs) - the code a customer must key into an ATM after inserting a plastic card in order to carry out transactions.

Instead, the writ says Barclays, Midland, TSB and Lloyds banks and Nationwide Building Society allow their staff to input the master keys which activate their systems. This means the institutions named in the writ "rely upon the honesty of their own staff" to keep the codes secret.

The Association for Payment Clearing Services (Apacs), which represents all ATM network providers, refused to comment on the allegations before its mem-

bers are served with the writ.

Barclays and Lloyds said the writ had not yet been served on either of them and that they had nothing to say yet. Apacs, Barclays and Lloyds would neither confirm nor deny whether the security modules are installed.

The multi-plaintiff, multi-defendant writ was applied for in the High Court on Thursday by Keith Park and Co, a St Helens firm of solicitors. The writ says plaintiffs will also rely on an admission by Barclays in a letter dated April 29 of "faults in a computer program which wrongly identifies the branch at which withdrawals are attempted and made".

Clearing Services (Apacs), which represents all ATM network providers, refused to comment on the allegations before its mem-

bers are served with the writ.

Continued on Page 5

Cash dispenser security. Page 5

Cash dispenser security. Page 5



Yugoslav prime minister Mr Milan Panic arrives at the EC peace talks in Brussels

## US and Nato reject mass troops activity in Bosnia

By Andrew Hill in Brussels and Judy Dempsey in London

THE US and its Nato allies yesterday ruled out sending tens of thousands of troops to Bosnia-Hercegovina in a move confirming the reluctance of western governments to become militarily involved in the former Yugoslavia.

A Nato diplomat said: "Either we go in and saturate the place or we stay out. There is no room for half-baked measures. In any case, it is probably too late because the Serbs have gotten what they want. They are likely to allow air convoys in now."

The continuing war and the future status of Bosnia will be discussed today in Brussels under the aegis of the European Community-sponsored talks.

This is expected to be the EC's final session before handing over to a much wider international conference involving the United Nations and the 52-member Conference on Security and Co-operation in Europe.

A plenary session of the EC conference, chaired by Lord Carrington, was held yesterday with the aim of finalising arrangements for the enlarged conference. It was attended by Mr Cyrus Vance, the UN's special envoy to the former Yugoslavia.

President Slobodan Milosevic of Serbia and his Montenegrin counterpart, Mr Momir Bulatovic, refused to attend. Mr Milan Panic, prime minister of the unrecognised rump Yugoslavia, tried to represent them but he was not admitted into the formal talks.

"I am not so sure Milosevic did not attend yesterday's session because he was embarrassed about all the international criticism of Serbia's ethnic cleansing policy in Bosnia and the detention camps," a US diplomat said.

"I think it

## NEWS: INTERNATIONAL

# Share incentive plan disappoints Italian brokers

By Halig Simonian in Milan

ITALY'S stock brokers yesterday reacted with disappointment to the cabinet's plan, announced on Thursday, to amend the country's complex capital gains tax and introduce new measures to encourage share buying and boost the bourse.

The steps, which fall short of suspending the tax as first thought, offer a variety of incentives for individuals to buy shares, particularly of new issues. The draft law, expected to be passed next month after comment from stock brokers, should help to buoy the flagging stock market and pave the way for privatisation.

However, Italian equities fell to a new low for the year yesterday on the back of this trading and adverse reaction to the decision by Moody's, the US rating agency, to downgrade Italy's foreign debt. The Comit equity index fell by 1.6 per cent to 332.70, its lowest since the mid-1980s.

On the foreign exchanges, the lira slipped further against the D-Mark, closing at 760.02, down from 759.17 on Thursday. The Bank of Italy did not

intervene in spite of the fall, partly because trading was very quiet before today's Assumption Day holiday in Italy.

Mr Giovanni Goria, the finance minister, reacted angrily to the Moody's decision, which he described as "unfounded". "This is a wrong judgment," he said. Meanwhile, officials at the Bank of Italy were reported as dismissing the downgrading as being "out of date" in view of the new government's efforts to cut the huge budget deficit.

In a television interview, Mr Piero Barucci, the treasury minister, said the step was "nothing tragic. It will increase the Italian government's determination to continue on the road it has chosen."

Ministers also stressed the stock market's ill could not be attributed wholly to the government. According to Mr Goria, "the problems of the stock market have 1,000 motives", taxation being only one element. Nevertheless, ministers are hoping the incentives and tax breaks they have unveiled will stimulate the market once brokers digest their implications.

## EC-Japan copier row may reopen

By Andrew Hill in Brussels

THE European Commission is to consider renewing duties on Japanese photocopiers imported into the EC, reopening one of the largest and most controversial anti-dumping cases of recent years.

Brussels announced yesterday it would re-examine anti-dumping duties of up to 20 per cent first imposed in 1987. The duties are supposed to protect European copier manufacturers from imports allegedly sold at an artificially low price.

The measures were due to expire this year but Olivetti of Italy, Rank Xerox of Britain, and Occ of the Netherlands have warned that if the duties are lifted their business will suffer.

Investment, prices and sales are being depressed by cheap Japanese imports, according to the European manufacturers. Since the mid-1980s, several of the original EC complainants have gone out of business or been bought by Japanese companies.

The 1987 decision to penalise Japanese copier manufacturers indirectly to the introduction of controversial "screwdriver" rules by the EC. These were supposed to stop non-EC companies getting round anti-dumping duties on complete products by exporting the parts to the EC or US and assembling them there.

The screwdriver rules were introduced in 1988, following a Brussels investigation into a Ricoh photocopier plant in the US. They were outlawed by a Gatt panel in 1990 and have not been applied since.

A Commission official said yesterday he did not expect the new inquiry into photocopiers to reopen the debate over screwdriver plants in the EC.

Japanese manufacturers lost their European Court appeal against the original decision in March. Most of them are involved in the new inquiry. They are Canon, Copier, Fuji Xerox, Konishiroku Photo Industry, Kyocera, Matsushita, Minolta Camera, Ricoh, Sanyo Electric, Sharp and Toshiba.

## Prices fall sharply in Germany

A STEEP drop in German wholesale and producer prices in July will take some of the sting out of west Germany's troublesome inflation rate and reduce the chance of higher interest rates, private economists said yesterday. Reuter reports from Frankfurt.

They were commenting on Federal Statistics Office data which showed that wholesale prices plunged 1.3 per cent in July from June and were down 0.9 per cent from a year earlier – the first year-on-year decline in two years.

The result was well below independent forecasts of a monthly rise of 0.6 per cent and marked a sharp swing from June's year-on-year increase of 1.2 per cent.

July producer prices fell 0.1 per cent from June and were up 1.1 per cent year on year. That was down from a 2 per cent year-on-year rise in June and a third of last July's 3.3 per cent rise. It was also below economists' forecasts.

Mr Ulrich Beckmann, economist at Deutsche Bank, said: "The stronger mark and lower import prices are the key reasons for the drop."

Mr Hans Tietmeyer, Bundesbank deputy president, told German television yesterday that the slowing in inflationary pressures reflected in the two indicators was "pleasing" but warned it was due in part to import prices weakened by the strong mark.

"That is not a stability generated by domestic factors," he said. "It is partly the result of import prices and exchange rates."

Western Germany's annual inflation rate dropped to 3.3 per cent in July from 4.3 per cent in June, the lowest since May 1991. The steep decline was caused by petrol taxes – which rose sharply last July – dropping out of the yearly comparison.

Mr Tietmeyer said the Bundesbank would review German interest rate levels in a few months. The Bundesbank raised its discount rate to a record 8.75 per cent from 8.00 per cent last month.

At least 10 people were killed as more than 3,000 troops yes-

# Poland's former PM heads UN Bosnia probe

By Frances Williams  
in Geneva

THE United Nations Human Rights Commission yesterday unanimously approved a resolution appointing a special investigator to compile evidence on human rights abuses in Bosnia-Herzegovina and elsewhere in the former Yugoslavia. The investigator will be Mr Tadeusz Mazowiecki, former prime minister of Poland.

The US-drafted resolution calls for the investigator's report to be completed by

August 28 and presented, with recommendations, to the Human Rights Commission and the Security Council. US and other western diplomats say they will then consider what further action might be needed to stop the abuses. This might include the stationing of permanent human rights monitors in the region.

The resolution condemns "widespread, massive and grave" human rights violations and the practice of "ethnic cleansing", demands immediate release of all those arbi-

trarily detained and access for the International Committee of the Red Cross to all detention camps and prisons.

Islamic countries, led by Turkey and Egypt, supported the resolution despite failing to secure changes naming Serbia as the principal perpetrator of human rights violations and Moslems as the main victims. Western diplomats said yesterday that specific condemnation of Serbia should follow rather than precede the special investigator's report, which is intended to be an authoritative

and objective assessment of the evidence. They also expressed fears that singling out Serbia and Serb forces at this stage could hamper the investigator's work.

Mr Mazowiecki is expected to start work within the next few days, after confirmation of his appointment by the UN's Economic and Social Council on Monday. The self-styled Serbo-dominated Federal Republic of Yugoslavia yesterday pledged its full co-operation with Mr Mazowiecki's investigation. The US said it was pleased

with the outcome of the exceptional two-day session of the Human Rights Commission, which was convened at Washington's request.

• The International Committee of the Red Cross (ICRC) said yesterday it had finally been given access to Omarska, the Serb-run detention camp filmed by British television crews last week, but had found only 200 or so prisoners there. US officials warned earlier this week that prisoners were being moved from Omarska and other Serb-run camps before

ICRC visits.

Mr Pierre Gauthier of the ICRC said some of the prisoners previously in Omarska may have been moved to camps at Trnopolje and Manjaca. Red Cross officials visited both earlier this week. Mr Gauthier said about 3,500 people were being held in Trnopolje and, at the time of the first visit, some 2,300 in Manjaca.

The ICRC has also visited a Croatian camp at Konjic north of Mostar, bringing to 13 the number of detention centres it has visited in Bosnia.

## Industrial output up slightly in US

By Michael Prowse  
in Washington

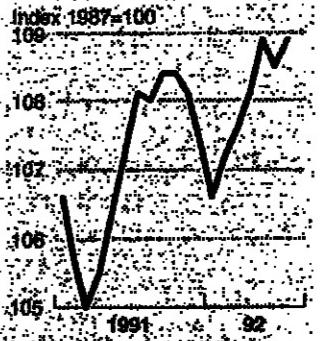
US INDUSTRIAL production rebounded modestly last month, after a dip in June, but the underlying trend was flat, the Federal Reserve reported yesterday.

Production rose 0.4 per cent last month largely as a result of a rebound in coal mining – which was depressed in June by a rail strike – and higher output at utilities. The increase reversed a 0.4 per cent fall in June and left industrial output 0.8 per cent higher than a year ago.

Manufacturing output was statistically unchanged after a 0.2 per cent decline in June.

The figures are consistent with a raft of recent data indicating the US economy is caught in a no man's land; it is

### US industrial production



neither showing signs of lapsing back into recession nor responding to repeated cuts in interest rates.

Mr John Lipsky, chief economist at Salomon Brothers, the New York brokerage, said the figures pointed to growth at an annual rate of 1.5 per cent, a disappointment for the Bush administration which had hoped for growth of 3 per cent or more in the approach to the November presidential election.

In most past recoveries from recession the economy has grown at annual rates of 5 per cent or more.

Production was weak in most industrial sectors last month with falls in output of motor vehicles, consumer appliances, defence and space equipment.

Yesterday's figures followed reports earlier this week indicating sluggish consumer demand. Retail sales rose 0.5 per cent last month after a 0.3 per cent drop in June.

Inflation figures, however, were encouraging. The consumer price index rose only 0.1 per cent last month and by 2.2 per cent in the year to July. Many analysts expect inflation to fall below 3 per cent in the coming year.

### ANC torture inquiry

Haitian police yesterday detained more than 150 boat people minutes after the US Coast Guard forcibly returned them to their homeland. AP reports from Port-au-Prince. A police officer said they would be questioned about the hijacking of the 40-ft vessel in which they made their escape.

### Haiti returnees held

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# Georgian rebels free minister as fighting flares

REBELS in the former Soviet republic of Georgia were reported yesterday to have freed a government minister who had been held hostage, as fighting erupted between the rebels and Georgian troops.

The rebels sealed off bridges, roads and railways, with the sharpest fighting flaring as they swept into the Black Sea resort of Sukhumi, the Abkhazian capital.

Helicopters opened fire near the regional parliament building in Sukhumi, killing 10 people, according to a Georgian official.

Radio Russia reported that

Georgian forces had seized Sukhumi airport and that the local parliament was being shelled from vessels, presumably Georgian, in the Black Sea.

Abkhazia declared independence from Georgia last month, angering hardliners in Georgia's provisional government, which is led by Mr Eduard Shevardnadze, who is president of the former Soviet foreign minister.

Mr Shevardnadze said one hostage was released on

Wednesday and the militants had promised to free all others yesterday. He claimed they changed their minds after talking by phone to Mr Gamsakhurdia, who has taken refuge in Russia.

But the press centre of Georgia's Parliament said later the militants had freed one hostage, Mr Gvantsa, who is interior minister heads Georgia's police.

• An agreement between the Ukrainian government and leading trade unions promises

labour peace but could further slow down the country's hesitant steps toward economic reform. Chrystie Freeland reports from Kiev.

Transport and railway workers, the armed forces and a number of independent unions pledged not to strike this year in exchange for government guarantees that subsidies on bread will be maintained that the minimum wage will be increased on October 1 and that a form of wage and price indexation will be adopted.

Although President Yeltsin is by no means on the ropes, Mr Rutsikoff offers a package which the fickle and long-suffering Russian public seems increasingly willing to embrace.

Extracts of this interview will be shown tonight on Channel 4's *The World This Week*.

# French state insurers under fire over HIV cover

By Alice Rawsthorn in Paris

MR Michel Sapin, the French finance minister, yesterday criticised Union des Assurances de Paris (UAP), the state-controlled insurance group, for threatening to withdraw its cover from blood transfusion centres which have been implicated in a scandal over AIDS-tainted blood supplies.

On Thursday morning UAP, which is France's biggest insurer, announced it was not

obliged to pay damages to people who contracted the HIV virus through transfusions from 25 regional centres where officials allegedly failed to notify UAP they were knowingly using infected blood.

UAP said late on Thursday that it had reversed its decision. The French insurers' association yesterday announced that its members were extending the transfusion centres' cover until the end of the year.

Damages have been awarded to some HIV victims. Other cases are still pending, includ-

ing the case against Dr Michel Garreta, former director of the National Blood Transfusion Centre, in which Mr Laurent Fabius, former French prime minister, now first secretary of the ruling Socialist party, gave evidence.

Mr Sapin yesterday condemned UAP's initial announcement saying it had been made "without sufficient consideration". His public comments underlined the strength of the government's feeling on the issue. It usually prefers to resolve disagreements with state companies in private. This would have caused even

more embarrassment for the government, already under fire for the involvement of senior socialists such as Mr Fabius in the Garreta case.

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A good bill of health from the IMF is fundamental for the implementation of Brazil's accord with international creditor banks, since IMF funds are needed to supply part of the collateral for the debt repayment scheme.

The government has offered a fiscal reform package, including a tax reform and simplification proposal and a series of constitutional amendments that President Fernando Collor de Mello says are needed to improve the economy.

However, the apparently desperate gesture comes as a growing number of observers, including members of Congress, are predicting that Mr Collor can weather efforts to impeach him.

The two have for some time been in

talks over the terms of their joint venture: it will be handled by Siemens' air traffic control management division and by its French partner's defence and control systems subsidiary.

Europe air traffic is notoriously congested. Officials at the International Air Transport Association (Iata) have warned that the network faces "meltdown" in which a technical

hitch could lead to delays bad enough to leave pilots aircraft stranded at the wrong airports.

Iata and Eurocontrol, the Brussels-based body responsible for co-ordinating air traffic control across the continent, are working together to establish an improved air traffic control system by 1996.

Siemens and Thomson-CSF are likely

a probe

ICRC visits  
Mr Pierre Gauthier of the  
ICRC said some of the pris-  
oners previously held in Omdurman  
have been moved to camps in  
Tripoli and Manjaria. Cross  
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said about 3,500 people were  
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about 1,000 in Manjaria.  
The ICRC has also visited  
sites of former detainees in  
the north of Africa, bringing the  
number of detainees held  
there it has visited in Egypt.

## Industrial output up slightly in US

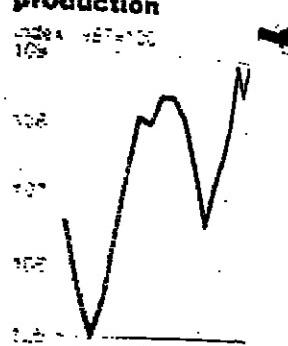
By Michael Prowse  
in Washington

US INDUSTRIAL production  
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yesterday after a dip in June, as  
the manufacturing trend was  
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Production rose 0.1 per cent  
in a rebound in coal mining,  
which was depressed by a  
sharp fall in electricity and  
gas prices. Industrial output  
increased 0.4 per cent in  
June and left industry  
up 4.4 per cent higher  
for the year.

Manufacturing output  
remained unchanged at 4.4 per cent in June.  
New figures are con-  
sistent with recent data  
using the US economy's  
output in the country's land-

## US industrial production



## Miyazawa turns to Keidanren

By Gordon Craig in Tokyo

MR Kuchi Miyazawa, the  
Japanese prime minister, is  
today to meet the head of the  
Keidanren, the country's influ-  
ential business grouping, for  
what were described as emer-  
gency talks on ways to buoy  
the slowing domestic economy.

The talks with Mr Galio  
Hiraiwa, who is also chairman  
of Tokyo Electric Power, come  
at Mr Miyazawa's request.  
They follow a week in which  
the Tokyo stock market has  
touched six-year lows, most  
economic data have remained  
discouraging, and ministries  
have squabbled over the size  
and content of a package of  
stimulatory measures.

No immediate solutions were  
expected from the meeting.  
Equities yesterday managed  
their first rally in seven trad-  
ing days on largely technical  
factors. The Nikkei average of  
225 leading companies was  
52.08 points higher at 14,821.25.

The Ministry of International  
Trade and Industry (MITI) yes-  
terday revised upwards its  
industrial production statistics  
for June, but an official said  
the underlying tone was weak.

Seasonally adjusted produc-  
tion in manufacturing and  
mining rose 2.5 per cent from  
May, MITI said, compared with  
its preliminary figure of 2.1 per  
cent. The index of shipments  
rose 0.7 per cent month-on-



Tokyo Stock Exchange floor dealers send hand signals in mixed trading yesterday.

Discouraging economic data have pushed the market to six-year lows

month, but compared with  
June 1991, production was  
down 3.8 per cent and ship-  
ments fell 3.5 per cent.

The Bank of Japan mean-  
while announced that domestic  
wholesale prices, although 0.1  
per cent higher in July than  
the previous month because of  
higher electricity charges,

were down 0.7 per cent from a  
year earlier.

Evidence of continued weak  
consumer demand came yester-  
day in sales for July at Tokyo  
department stores, which were  
down 3.7 per cent from a year

ago. The association said high-  
value goods fared particularly  
badly, while foods were the  
only area to show a rise.

The Japan Department

## NEWS IN BRIEF

### Singapore journalists held for questioning

THREE journalists working for the newspaper Business Times  
are being questioned by officers of the Internal Security Department,  
the government said yesterday. AP reports from Singa-  
pore.

Mr Mano Sahmani, managing editor of English and Malay  
newspapers for Singapore Press Holdings, said that Mr Patrick  
Daniel, editor of Business Times, associate editor Margaret  
Thomas, and senior reporter Ms Anna Teo had been taken to the  
Internal Security Department for questioning.

Officers of the department searched the offices of Business  
Times on Thursday, the Home Affairs Ministry said in a state-  
ment. It said an investigation of alleged use of classified information  
was being conducted under the Official Secrets Act. The  
investigation appeared to concern a front-page article in the  
newspaper on June 29 about Singapore's economic performance  
in the second quarter of the year, Sahmani said.

"The early indications point to a second-quarter growth of 4.8  
per cent to 4.8 per cent," the Business Times article said. The  
government later released official figures on August 8 giving  
second-quarter growth as 4.7 per cent.

### Kabul troops repulse rebels

Troops loyal to the Islamic government in Kabul have repelled  
violent assaults by rebel mujahideen fighters yesterday, agencies  
report from Kabul.

However Gen. Majid Khan told reporters that he anticipated  
another round of fighting as forces loyal to firebrand fundamentalist  
Gulbuddin Hekmatyar prepared to make another bid for  
the battle-weary capital.

"He will try again. But we won't let him," said Gen. Khan,  
without elaborating how government soldiers proposed stopping  
him.

After more than a week of relentless rocketing, the capital was  
quiet yesterday. But the bloodletting injured hundreds of people  
and left no water or electricity and meager medical supplies.

### UN to pressure Libya

The UN will make a further attempt next week to persuade Libya  
to surrender to a Scottish court the two agents accused of the  
Lockerbie bombing, writes Michael Littlejohns in New York.

Mr Boutros Boutros Ghali, the secretary-general, is sending a  
personal letter to Colonel Muammar Gadaffi, the Libyan leader,  
following the Security Council's recent decision to keep sanctions  
against the Tripoli government in place.

The UN announced last night that Vladimir Petrovsky, a former  
Soviet deputy foreign minister now running the council's  
secretariat, would go to Libya on Monday to deliver the message  
and hold talks with the authorities there.

### ANC torture inquiry

An African National Congress inquiry into charges that dissidents  
were tortured by ANC officials has uncovered "shocking abuses,"  
a newspaper reported yesterday. AP reports from Johannesburg.

The Weekly Mail said it learned from unidentified sources that  
the probe into alleged abuses at ANC camps in other African  
countries put much of the blame on former ANC security chief  
Mzwai Piliso.

"ANC's torture chief named," said the newspaper's front-page  
headline. The anti-apartheid Weekly Mail is widely seen as South  
Africa's leading investigative paper and has uncovered stories  
embarrassing to the white-minority government and various  
black groups.

"The ANC's inquiry into the treatment of detainees in its  
camps in exile has uncovered evidence of shocking abuses," the  
newspaper said.

Mr Piliso, now head of the ANC's personnel department, was  
"directly implicated in some of the assaults on prisoners," the  
article said. Mr Piliso was quoted in the report as saying he was  
following instructions.

The ANC said yesterday it had no comment on The Weekly  
Mail report. It has said the dissidents were undercover govern-  
ment agents.

### Thai probe uncovers 111 deaths

An official committee set up to probe the violent suppression of  
pro-democracy demonstrations in May has concluded that 111  
persons died in the incident, over twice as many as reported by  
the interior ministry, a newspaper said yesterday. AP reports  
from Bangkok.

In addition to the 42 fatalities officially listed by the ministry,  
another 69 people were confirmed missing by the committee and  
are presumed dead, committee chairman Sophon Rattanakorn  
was quoted as saying by the Thai-language newspaper Thai Rath.

Hundreds of people were injured during the May 17-21 protests  
when troops opened fire on demonstrators demanding the resig-  
nation of then-prime minister Mr Suchinda Krairayoon because  
he had been appointed to the job without running for parliament.  
Mr Suchinda resigned in disgrace soon after the shootings.

### Kenya opposition figure dies

A leading member of Kenya's squabbling opposition died yester-  
day, increasing the likelihood of a final split before the east  
African country's first multi-party polls in 26 years, Reuter  
reports from Nairobi.

Mr Mwai Mwiro, 72, interim vice-chairman of the main  
opposition Forum for the Restoration of Democracy (FORD)  
party, collapsed at Nairobi airport after returning from a private  
visit to Britain.

"Mwiro stumbled and fell after his passport was stamped. We  
thought he was only slightly hurt. But airport doctors pro-  
nounced him dead soon after," one witness said.

## China launches into space market

New entrant breathes a sigh of relief, write Daniel Green and Yvonne Preston

CHINA SENT an Australian telecommunication satellite into orbit  
yesterday confirming the country's arrival in the com-  
mercial space market.

The satellite, Opus B1, will  
provide television and tele-  
phone links for Australia and New Zealand.

The launch success, which  
followed a failed attempt in  
March, was good news for the  
members of the Opus consortium:  
BellSouth of the US,  
Cable and Wireless of the UK  
and the Mayne Nickless group of  
Australia. They paid \$4200m (£27m) to buy, launch  
and insure the satellite to provide  
pay TV for Australia and New Zealand.

It was damaged. But the tele-  
vised failure was a loss of face  
for the Chinese and a setback  
to China's commercial space  
prospects.

The approach to yesterday's  
relaunch was considerably  
toned down, said Mr Gordon  
Pike of Opus at the launch site.  
Everybody was nervous, especially the Chinese. A  
launch this time was crucial to  
the future of China's commer-  
cial space programme, he said.

Opus has said it saved about  
\$100m by launching the  
satellite in China. China  
charges about US\$30m, com-  
pared with at least \$50m on US  
or European launchers, but  
the price of a Chinese launch  
is now likely to rise because of  
a deal struck between Beijing  
and Washington.

Neither the rocket launcher,  
Long March 2E, nor the satel-  
lite was damaged. But the tele-  
vised failure was a loss of face  
for the Chinese and a setback  
to China's commercial space  
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cial space programme, he said.

The first attempt to launch  
Opus B1, made by Los Angeles-based Hughes Air-  
craft, failed when a short circuit  
cut off the flow of fuel to the  
rocket engines.

Viewers around the world  
watching the live television  
coverage saw rocket ignite  
then fall to move as flames  
and smoke billowed from its  
base.

China has been trying for  
several years to break into the  
commercial satellite launch  
business. One barrier was that  
many satellites are made in the  
US, and an agreement had to  
be negotiated with the US  
government on safeguarding  
its technology and domestic  
space market. The US agreed  
that China can launch nine  
US-built satellites over a six-  
year period as long as it prom-  
ises not to undercut too much  
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is now likely to rise because of  
a deal struck between Beijing  
and Washington.

This is partly because  
the main US rockets available

Taiwan, easing restrictions on economic ties with China, has  
drafted regulations which will let local banks deal directly with  
their Chinese counterparts, government officials said yesterday.  
Reuter reports from Taipei.

Overseas branches of Taiwanese banks will be allowed to  
negotiate letters of credit and foreign exchange remittances with  
Chinese banks, officials of the Monetary Affairs Bureau said. At  
present, Taiwanese banks can only deal with Chinese financial  
institutions through foreign banks.

Vice-Finance Minister Lee Chung-ying told reporters the reform  
would assist the flow of funds between the two sides and make it  
easier for Taiwanese banks to profit from the rapid growth of  
trade and investment. However, Taiwan will continue to ban its  
banks from setting up branches inside China.

Commercial satellite launch  
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many satellites are made in the  
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or European launchers, but  
the price of a Chinese launch  
is now likely to rise because of  
a deal struck between Beijing  
and Washington.

This is partly because  
the main US rockets available

for commercial launches are  
made by defence companies  
McDonnell-Douglas, General  
Dynamics and Martin  
Marietta. They ran down their  
commercial programmes in the  
1980s as the NASA Space  
Shuttle programme grew.

As a result, they were badly  
placed to pick up business  
when, after the Challenger  
space shuttle exploded in 1987,  
NASA said it would no longer  
offer commercial launches.

The departure of NASA also  
encouraged other countries to  
examine the possibility of  
offering commercial space  
products.

Among them were Russia,  
which will probably also be  
subject to a pricing and fre-  
quency deal with Washington,  
and Japan, where snags with  
the European consortium  
Arianespace.

Yesterday's launch was part  
of a \$358m contract between  
Opus and Hughes to make,  
launch and insure two satel-  
lites. The second launch is due  
in October.

Beijing has worked hard to  
build its head start over Rus-  
sia and Japan.

It first received interna-  
tional attention with the April  
1990 launch of the Hughes-  
built Asiasat owned by Hong  
Kong-based Asia Satellite Tele-  
communications.

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of a \$358m contract between  
Opus and Hughes to make,  
launch and insure two satel-  
lites. The second launch is due  
in October.



## A few of my Favorite things.

② FAMILY Sundays. A drive through the lush green of the Vale of Evesham. GAMES on the way. I-spy with my little eye something beginning with F. Too easy. Miss a turn. How many white cars will we pass in the next two minutes? SPOTTING another Favorit. WAVES and smiles. SOMEBODY else who recognises 1.3 litres of value when they see it. TURNING in at the gate. HAPPINESS tinged with sadness at the journey's end. WISH they lived a bit further away. KISSES all round. THE children discover how much they've grown since Mum and Dad saw them last before they're swallowed by the garden. TEA and tittle-tattle in the conservatory. COOLING our feet in the stream. MOUTHWATERING aromas wafting down to us from the house. LUNCH. LAUGHTER. FRESH vegetables, picked by Dad that morning. WHY does her gravy taste so much better than mine? FAMILY discussions (never arguments). SUBJECTS range from potty-training to politics to the price of cars. NOBODY believes we paid so little for so much. BOB takes his brother for a spin. IMPRESSED, but still not convinced. HE always was a slow learner. HOMEWARD bound, five gears eating up the miles. SEE you all again soon. VERRY soon. ③



THE FAVORIT FROM SKODA. FAVORIT FORUM VOTED BEST BUDGET CAR 1991. FAVORIT LS, BEST VALUE HATCHBACK UNDER £6,000 BY WHAT CAR? MAGAZINE. FAVORIT ESTATE LS, BEST VALUE SMALL ESTATE CAR 1992 BY BUYING CARS MAGAZINE. THE FAVORIT RANGE STARTS AT £4,615. (BASIC PRICE HELD SINCE MAY 1990.) MODEL ILLUSTRATED FAVORIT LS PRICE £5,737. PRICES QUOTED ARE EX-WORKS AND CORRECT AT TIME OF GOING TO PRESS. ADD £360.50 (INC. VAT) TO COVER DELIVERY, NUMBER PLATES, PETROL AND 6 MONTHS ROAD FUND LICENCE (UK MAINLAND ONLY). CONTACT YOUR FAVORIT DEALER FOR FURTHER DETAILS. YOU'LL FIND THEM IN YELLOW PAGES, THOMSON DIRECTORIES, LOCAL PRESS OR TELEPHONE US ON 071-253 7441. SKODA (GREAT BRITAIN) LIMITED, 150 GOSWELL ROAD, LONDON EC1V 7DS.

# Rules eased for life insurers' solvency

By Norma Cohen,  
Investments Correspondent

**T**HIS GOVERNMENT actuary has told life insurers he will relax regulations regarding the calculation of regulatory solvency margins in the light of recent falls in equity prices.

The move will ease growing pressure on with-profits life companies to sell a portion of their equity holdings at what could be the bottom of the market and move into bonds.

Mr Chris Daykin, chief government actuary, said in a letter to life insurers that they may breach an existing "resilience" rule on asset portfolios if they discuss the matter with his office first. The rule, set in 1985, requires companies to meet regulatory ratios even if

the value of their equities falls by 25 per cent. With-profits life companies, which pay bonuses to policy holders based on past, current and future investment returns, are required to have assets equal to 104 per cent of liabilities.

"This letter was intended to

provide some comfort to those who might be up against their regulatory minimums," Mr Daykin said. The letter says that those companies whose equity portfolios broadly correspond to the FT All Share Index, currently producing a dividend yield of 5.25 per cent, may be allowed to assume a more modest fall in equity prices. This would mean the insurer would need to hold slightly fewer assets as reserves. Mr Daykin said it was

not intended that the 25 per cent rule should be reduced significantly. Instead, those with portfolios yielding 5.5 per cent to 6 per cent would be allowed to assume a decline of about 20 per cent to 22 per cent in equity prices when calculating how much they needed to hold in reserve. Several insurers have already said that they are committing new cashflow to bonds rather than equities. Bonds are yielding 9 per cent to 10 per cent, well above the yields on equities.

In his letter, Mr Daykin said that the current regulations, whereby portfolios must withstand a rise of 3 percentage points in interest rates, are reasonable in the market conditions and would not be changed.

# New ratios offer a reprieve to equities

Norma Cohen  
investigates  
how asset  
portfolios will  
be evaluated

**L**IFE insurance companies, looking with concern at UK equity prices - which in spite of yesterday's rise in the FT-SE index of nearly 30 points are still 381 points below the year's high - can breathe slightly easier following a relaxation in regulations on minimum solvency ratios.

The relaxation also offers a reprieve for the UK stock markets, where prices could have been depressed even further if life insurers were forced to dump equities and switch into higher yielding bonds in order to meet regulatory ratios.

Mr Peter Turvey, senior life insurance industry consultant at actuaries Mercer Fraser, said: "The message to life insurers is 'Don't panic'. They are saying there is no need to get out at the bottom simply to meet regulatory rules which were drafted for better times."

The mechanics of the relaxation, the handbook of the Government Actuary's Department, centre on the manner in which with-profits life companies calculate the value of asset portfolios. When asset prices fall - as stock prices have been all year - companies find they may not have enough assets to meet regulatory capital ratios.

Broadly speaking, with-profits life insurers are required to have enough assets to meet 104 per cent of liabilities. Calculations of liabilities must take into account "the reasonable expectations of policyholders", roughly interpreted to mean that life insurers may not simply renounce all bonuses for a given year for regulatory capital purposes. Bonuses payable to policyholders in any given year and bonuses declared but

not yet paid out in previous years constitute liabilities. But the value of assets - typically stocks, bonds and property - varies daily. Since 1985 the GAD has insisted that the 104 per cent minimum be met even if the value of equities in the portfolio falls by 25 per cent. Life insurers must also see that asset values meet a "resilience test".

That means they must assume the value of property holdings could fall by 25 per cent and that fixed-interest investments could be undermined by a rise in rates of as much as 3 percentage points.

**H**ence, in order to have assets of 4 per cent in excess of liabilities, insurers must hold somewhat more than that. But how much more has become increasingly at issue as equity prices have sagged throughout the year.

The slide in stock prices of roughly 16 per cent since the beginning of this year has brought a number of life insurers perilously close to their regulatory minimum ratios, said Mr Trevor May, life insurance industry analyst at Nomura Securities. At least one mid-sized life insurer made a large switch out of equities into bonds after the general election in April in order to meet regulatory requirements.

Property portfolios tend to differ widely. They tend to be rather lumpy," Mr Daykin said. Hence, particularly in the current environment, it would be difficult to apply an across-the-board resilience test to decide on a single appropriate safety margin for property.

Indeed, in early July, the Institute and Faculty of Actuaries, the professional body for actuaries, issued a Temporary Practice Note saying that life company actuaries should insist on a resilience test they deemed appropriate rather than simply relying on the existing GAD guidelines.

For nearly a year he slept

where he could. When friends ran out of hospitality he was reduced to living on the streets before finding accommodation at a hostel.

Mr Carbon was an example of the link between urban homelessness and unemployment: "I was looking to restart my career, but with a hostel address companies weren't interested."

It was then he spotted a leaflet advertising Gate, a scheme which aims to break the "no-home-no-job" syndrome. The

area accounts for 40 per cent of all unemployment in England and Wales. The areas

host a concentration of measures to alleviate unemployment such as Employment Training (ET) and Employment Action, which offers the unemployed work experience or community projects.

There are now 65 Gate graduates working at BR's Network SouthEast and the course, which has been going for more than a year, boasts a 95 per cent success rate. Mr Carbon is on the BR payroll as a trainee train driver and hopes to leave the hostel soon.

The scheme is based in London where several boroughs come high on the government "deprivation index". This is used in the designation of urban programme areas eligible for special grants.

The scheme has not been trouble-free. The original idea to take people directly off the streets was dropped and Gate relies on referrals from hos-

tels.

The recession has meant that the only employer able to offer jobs was BR.

BR emphasises it does not sacrifice selection standards for philanthropy. Applicants must pass two interviews, and a medical which includes drug screening. Then trainees face a course in basic literacy and numeracy skills with the final hurdle of a battery of BR aptitude tests.

The Gate project is a model of what the government hoped would result from co-operation between public-sector training expertise and private-sector employers. The idea is the brainchild of Mr Peter Thackray, the agency's head of marketing. This year the project won £70,000 from government and the European Social Fund and the same amount in sponsorship from the private sector.

The scheme has not been trouble-free. The original idea to take people directly off the streets was dropped and Gate relies on referrals from hos-

tels.

Catherine Milton and Lisa Wood

**P**olice pay board calls for 6.5% rise

By Michael Smith,  
Labour Correspondent

**P**OLOICE OFFICERS' pay is likely to rise by 6.5 per cent this year even though average earnings, which determine police pay, have risen by less than that.

Mr Kenneth Clarke, home secretary, will shortly consider the recommendations of the Police Negotiating Board for a 6.5 per cent rise amid growing pressure for the government to restrain public-sector earnings. If he wanted to take a hard line he could press for the rise to be restricted to 6.25 per cent - saving about £10m - without breaking the government's pledge to link police pay to average earnings increases.

The Department of Employment last week revised the average earnings figure for the year to May - the period which determines police officers' rises - to 6.25 per cent from the 6.5 per cent reported previously.

A decision to make the rise 6.25 per cent would signal the government's determination to tighten its grip on public pay but it would infuriate the 128,000 police officers who already feel insecure because of a government inquiry into their pay and conditions.

The negotiating board made its recommendation of a 6.5 per cent rise before last week's revision of the earnings figure. Members said yesterday they would be surprised if their recommendation were over-

# Drop in food prices cuts inflation

By Emma Tucker,  
Economics Staff

**A** SHARP drop in seasonal food prices was the main reason behind the fall in retail inflation to an annual rate of 3.7 per cent last month.

Although the prices of seasonal foods normally fall at this time of year, July's drop of 9.9 per cent was steeper than expected and brought the year-on-year rate of inflation for seasonal foods to minus 9.8 per cent.

The fall was mainly the result of cheaper fresh fruit and vegetables, particularly salad foods. Prices of potatoes and home-killed lamb also fell.

According to the Central Statistical Office a number of price increases that were made in July last year were not repeated this year and summer sales for clothes, shoes and certain household goods continued.

A fall in mortgage interest payments between June and July also contributed to the drop in the overall index from 139.3 in June to 138.8 last month.

High street summer sales,

which cut prices by more than the sales last year and were spread over a wider range of products, led to a monthly drop of 4 per cent in clothing and footwear prices the sharpest fall for any July

RPI: 138.8 in July



Figures in brackets are weights in retail prices index in parts of 1,000. Percentages represent annual % change to July 1992. Source: CSO

since records began in 1914. Prices of furniture and electrical goods also fell as sales continued.

The biggest month-on-month rise for any component of the index was in house-

hold services, which rose by 1.1 per cent. That reflected higher premiums for house contents insurance and an increase in trade union sub-

scriptions.

Prices of some other goods crept up, in particular do-it-yourself materials which increased after special offers earlier in the year and contributed to the rise in the housing element of the index.

That rise was only partly offset by the fall in mortgage interest payments between June and July.

Service-sector inflation remained significantly higher than food-price inflation. It was also well above producer-price inflation for manufactured goods, which was 3.4 per cent in July.

The annual rates of inflation for leisure services, personal goods and services and motororing expenditure fell in July.

Although car insurance premiums rose in July, price increases for second-hand cars were not repeated this year leading to no change in the index for motoring expenditure.

Deaths ferry still operating

By Richard Tomkins,  
Transport Correspondent

**T**HE IRISH Sea ferry on which two children died earlier this week was still in service yesterday amid calls for an investigation into the accident.

The two children, Katherine and James Tomlins, of Truro, Cornwall, died in the night aboard the Polish-registered Celtic Pride when gases seeped into their cabin from the ferry's sewerage system.

Since the accident, other people who have travelled on the vessel have said they had previously complained to Swansea Cork Ferries, the ferry operator, about strong sewerage smells in some cabins.

The lack of an investigation has caused concern on both sides of the Irish Sea. In Britain, Ms Joan Whalley, who speaks for the opposition on transport, urged an inquiry by the Marine Accident Investigation Branch. In the Irish Republic, Mr Alan Shatter, justice spokesman for the Fine Gael opposition party, called for a "vigorous criminal investigation" to be conducted with a view to bringing whatever charges might be appropriate against the owners or operators of the vessel.

Mr Shatter was immediately re-arrested pending extradition to Northern Ireland. He was charged with firearms offences following an incident in 1984 but failed to turn up for his trial after being bailed.

**CORRECTION**

## ABN bank

**I**N A report on August 12 we stated incorrectly that Mr Muhammad Navieda, owner of Arrow's, the failed trade finance house, had been charged last year with obtaining £10m from ABN, the Netherlands bank, by deception. The bank involved is in fact NMB Postbank of the Netherlands.

# Publication of Retail Newsagent is blocked

By Bethan Hutton

**A** ROW between newsagents and The Daily Telegraph over the share of the newspaper's cover price kept by agents has led to a block on the distribution of a trade magazine.

Retail Newsagent yesterday failed

to overturn an injunction banning distribution of this week's issue. The dispute arose after the newspaper unexpectedly cut its trade discount to 25 per cent on the Saturday

newspaper only, starting last Saturday, at the same time as its price rose 20 per cent to 60p. Newspapers are normally sold to agents at a discount of 26.5 per cent on the cover price.

Some shopkeepers responded by reducing their orders for the paper or keeping copies off shelves in protest.

Later on Thursday The Daily Telegraph, which has a circulation of more than 17,000, yesterday accused The Daily Telegraph of showing "total disregard" for press freedom. He said: "We must have the right to advise our

individual readers to take whatever action they feel is in the best interests of their business."

Because the cover price of the Saturday edition of the newspaper has risen, newsagents will get slightly more in cash terms from each copy sold under the new rate, but they are concerned that other newspapers will follow suit, squeezing profit margins already affected by the recession.

In 1990 The Daily Mirror cut newsagents' discounts from 26 per cent to

# Bristol & West joins retail group

By David Barchard

**B**RISTOL & WEST, the 10th largest building society, has broken ranks with the rest of the financial services industry and joined the British Retail Consortium, the retailers' lobby group known for its confrontations with the banks and building societies over the pricing of financial services.

The consortium said yesterday: "Bristol & West are on the high street and they are offering a consumer service."

It said that by including Bristol & West

in its membership it would be better able to understand the ways in which financial services companies worked.

"This is a big step forward for us," the consortium said.

However, an official said that she was not certain how an application for membership from the Big Four high street banks would be received. The banks have been in a sometimes acrimonious dialogue with the consortium for several years.

The official said: "I don't know if they

would be interested in joining us. We would view each application for membership on its individual merits."

Bristol & West does not issue any credit or debit cards and so is not likely to find itself at loggerheads with the rest of the consortium. The society declined to comment on whether it had taken the reactions of other financial services institutions into account before joining the consortium.

The society said the move was a result of its determination to become a

leading high street retailer of financial services, which had been shown in the opening of five new financial centres in southern Britain.

Mr James May, consortium director-general, said the consortium would begin a campaign to persuade the Treasury to extend the moratorium on stamp duty beyond August 19.

He said: "Helping the economy by kick-starting the housing market is just one example of how our membership is working together in the interests of the retail customer."

# Anger at PW move over salaries

**A DECISION** by Price Waterhouse, the accountancy firm, to raise starting pay for graduates has angered rival firms, Andrew Jack writes.

Five of the six biggest firms have traditionally kept salary levels comparable with one another, while Arthur Andersen has maintained a slightly higher entry-level rate.

But Price Waterhouse has now increased its salaries for students joining the firm in London in the autumn from £12,500 to £14,000.

Price Waterhouse's move comes at a time when the graduate job market is depressed and accountancy firms are cutting recruitment and staffing.

Two other firms - Ernst & Young and Coopers & Lybrand - have increased salaries to the same level. KPMG Peat Marwick and Touche Ross have maintained their starting salaries at £12,500, while Arthur Andersen is offering £15,000 this year.

Mr David Wilson, national marketing partner at Ernst & Young, said the decision to raise salaries was driven by Price Waterhouse and would cost his firm about £500,000 in additional salaries.

Price Waterhouse said last night it had increased salaries as part of a regular review of competitive rates.

## 'Many football clubs' lose money

**ABOUT** 70 per cent of English football clubs are loss-making, according to a report published yesterday.

group

high street retailer of financial services, which had been shown to the head of five new financial centres in London, Britain.

James May, consortium director, said the consortium would be carrying on a campaign to persuade the government to extend the moratorium on stamp duty beyond August 19.

"Helping the economy by supporting the housing market is just another example of how our membership is working together in the interests of its customer."

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A DECISION by Price Waterhouse to raise starting pay for trainee accountants has angered rival firms. Andrew Jack writes.

Five of the six biggest firms have traditionally kept salary levels comparable with one another, while Arthur Andersen has maintained a slightly higher entry-level rate.

But Price Waterhouse has increased its salaries for students joining the firm in London in the autumn from £15,000 per year.

Price Waterhouse's move comes at a time when the graduate job market is depressed and accountancy firms are facing recruitment problems.

The other firms - Ernst & Young and Coopers & Lybrand - have increased salaries to the same level. RPSG Peat Marwick and Deloitte Haskins have maintained their starting salaries of £12,500, while Arthur Andersen is offering £15,000 per year.

Mr David Wilson, managing partner of Ernst & Young, said: "The decision to increase salaries has driven us to do the same." He added: "It's not just the cost of living that's driving us, it's the fact that we're offering better opportunities to our staff."

Price Waterhouse said it has not yet decided whether to put up a general review every two years.

**'Many football clubs' lose money**

ALMOST half of England's football clubs are losing money, according to a report.

Only 11 of the 22 clubs in the First Division are making a profit, while 11 others are breaking even and 10 are in the red.

Mr Alan Cane, chairman of the Football Finance Committee, said: "It's a very bad situation."

Mr Ian Hamilton Fazey and Alan Cane

**Four men will appear in court today in connection with the seizure of more than 200 forged bank cashpoint cards.**

**They were arrested in Sydenham, south-east London, by officers from Scotland Yard's central cheque squad who recovered cards and computerised encoding equipment.**

**The four, charged with conspiracy to defraud the central clearing banks, will appear before Greenwich magistrates on Thursday.**

**The writ questions the adequacy of the security systems of the banks - Barclays, Midland, TSB and Lloyds, and Nationwide building society. Instead of automatic updating of master keys by security modules, the five institutions are alleged to rely more on the honesty of their staff in keeping secret the keys that activate ATMs. The modules are responsible for encrypting and decrypting the messages which run ATMs. They comprise small computers in tamper-resistant boxes. Alarms go off and electronic information is automatically destroyed if anyone tries to open them.**

**With hardware security modules in place, nobody should ever be able to discover a customer's personal identification number (PIN), which they have to key into an ATM after inserting their plastic card with its magnetic strip giving account details.**

**It is claimed that the banks are using a much less secure system involving two members of staff, each possessing half the master key - a unique number - which activates the system.**

**Security therefore would rely on both keeping their part of the master key secret and not colluding to break into the system. Once inside, experts agree, it would be possible to learn customers' keys**

**Bethan Hutton on a development which sums up the problems of the leasehold system**

## Belfast yard loses two ship orders

By Our Belfast Correspondent

**HARLAND & WOLFF**, the Belfast shipbuilder, has lost orders for two bulk carriers for Hong Kong-based China Navigation Company. One part of what was said to be the biggest merchant shipping order placed in a UK shipyard.

The cancellation is a setback for the yard, which has lost the orders for five of the six ships in last year's record £230m deal. Work has just started on the single remaining ship for China Navigation for delivery at the end of next year.

China Navigation, a subsidiary of British shipping company John Swire and Sons, agreed last August to buy three of the yard's new Capesize vessels at a cost of about £37m each. But the weaker dollar has increased the real cost of its ships, and China Navigation says it can afford only one. One hundred temporary workers are to be laid off as a result of the decision.

Last month Cenargo International, the UK-based shipowner, also pulled out of a deal to buy three of the ships.

Harland & Wolff is to go ahead and build the ships, which will be operated by Transay Shipping, a Harland subsidiary, probably on a charter or joint venture basis.

The orders for the six ships, which represented nearly half the yard's order book, appeared to safeguard employment of the 2,500-strong workforce at the yard until 1995.

Cenargo and China Navigation had co-operated in placing the order, which was won against competition from Korean and Japanese yards.

The order was the first for new ships won by the shipyard since it was privatised three ago, other than for ships associated with Fred Olsen, the Norwegian shipping company that owns 47 per cent of Harland & Wolff.

Mr John Parker, Harland &

Wolf chairman, said: "China Navigation had cancelled its ships because of deteriorating conditions in the world shipping market over the past six months, exacerbated by the world recession and the exceptionally high level of sterling against the dollar."

He said: "China Navigation is very disappointed that it can't go ahead at this time. The company thinks the strength of the pound at around \$1.38 is completely distorting the deal they did at around \$1.65 less than a year ago. All shipping deals are concluded in US dollars."

Harland & Wolff has retained the option to resell two cancellations contracts and has been concentrating its efforts in marketing the Capesize - built to its own design - directly to end users, particularly Australian companies.

Mr Parker said: "The outlook for the medium-to-long-term shipping and shipbuilding markets remains optimistic, but the next 18 to 24 months is likely to be a very difficult period for shipowners and builders alike, particularly if the world recession does not abate quickly and the pound is not realigned to more acceptable levels against the US dollar."

The 162,000 tonnes dead-weight Capesize ships are designed to transport coal and iron ore around the Cape of Good Hope.

They will be faster than conventional bulk carriers and built with less high-tensile steel, allowing greater strength.

The ships are designed to combat the problems of break-up associated with bulk carriers, highlighted in a report by Lloyd's Register, which certifies ships' seaworthiness. The report blamed structural weakness for the loss of 34 bulk carriers at a cost of more than 250 lives since 1990.

Now the flats and houses are

**EVEN without estate agents' hype, Stone Manor, in Stroud, Gloucestershire, must have seemed an attractive proposition 10 years ago: affordable flats in a listed Cotswold stone building, with quiet gardens and views over the River Severn.**

**Now the development is a sad illustration of almost everything that can go wrong with the English leasehold property system. Building societies could lose more than £1m, and up to 150 residents are threatened with homelessness because Stone Manor's upkeep was neglected for years. Its landlord is now in liquidation.**

**Mr Rodney Moran, chief solicitor of Nationwide building society, which has seven borrowers at Stone Manor, says that the combination of decaying leasehold flats and bankrupt landlords is an intractable national problem.**

**Stone Manor was built as a workshop in 1837 and has been used as a billet for troops, an old people's home and a municipal store before it was bought in 1989 by Mr Peter Emma, a builder, to convert residential property.**

**The residents could take over the freehold for a nominal £1, set up new leases and a management company and carry out repairs themselves, possibly using cheaper contractors. An estimate for immediately essential repairs is £5,000 per flat.**

**The residents' association wants to take over the freehold, but would then have to persuade all residents to agree to change the leases and find the money for renovation. It has turned to the building societies for help with both - as a source of further funds, and as a means of applying pressure on unco-operative residents.**

**Unlike most developments, the lease makes no provision for monthly maintenance charges or a management company to oversee maintenance. The landlord is responsible for repairs when demanded by leaseholders, who are obliged to pay their share of the bills. But there was no regular maintenance system, so very little was done.**

**When the landlord's company, PL Emma (Properties), went into voluntary liquidation in 1989, the liquidator took responsibility for Stone Manor's upkeep. By that stage repair work was long overdue.**

**Now the flats and houses are**

**unsealable because of the disrepair and the potential liability of buyers for big bills. Four chimney stacks are dangerously unstable, 90 per cent of the masonry needs attention, the window frames are rotten, and many flats are damp. No local estate agents or solicitors will touch the place. One unit is on the market for £15,000 and there are still no takers.**

**The liquidator has to sell the freehold to satisfy shareholders, but must first make it sellable by renovating the building. Estimates are between £200,000 and £1m - up to more than some paid for their flats, and more than any of them can afford.**

**The liquidator has the power to demand the money. If residents do not pay, he can apply to court for forfeiture of their leases, which would leave them homeless and the lenders with no security on their loans.**

**The only way for lenders to recover their investment would be to pursue homeless residents for payment.**

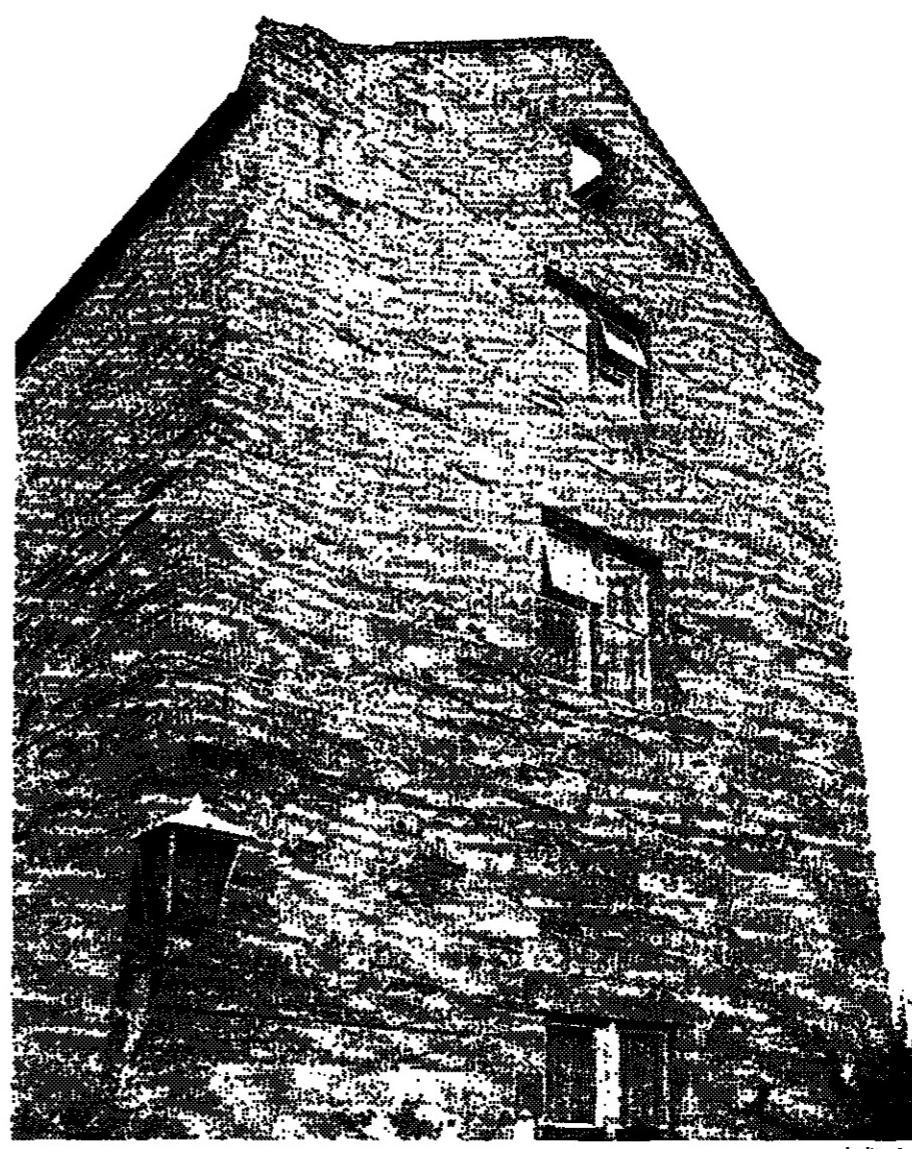
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Lynne van der Meer

**Cracking conversion: units in the development are unsaleable because of the cost of repairs**

**or paying for maintenance.**

**Planned changes in the law would allow leaseholders to force landlords to sell freeholds. That, and a new type of flat ownership called common hold, which does away with leases, might help others in the same situation if they see the problem early enough and decide to take management of the property into their own hands. But the changes will not protect flatowners against arguments with neighbours over money and priorities**

## Proposal seeks to spread road costs

By Richard Tomkins, Transport Correspondent

**NEW WAYS of making developers pay for the traffic growth they generate were proposed by the Department of Transport yesterday.**

**The aim is to ensure that companies carrying out big developments pay their fair share towards the cost of any trunk road or motorway improvements needed to serve developments.**

**Under the existing system, developers are not required to contribute to the cost of improving trunk roads if the traffic growth they generate can be accommodated by existing roads.**

**However, if they are joined by another company whose proposed development just tips the balance by requiring new trunk road capacity, that last company has to meet the whole cost of the road improvements from its own resources.**

**The new system, set out in a consultation paper, seeks to spread the burden more evenly. The department plans to examine local authorities' draft development plans and identify where potential developments are likely to make improvements to motorways or trunk roads necessary.**

**It will then set out the estimated costs of the road improvements and create a simple formula for sharing the contributions among all the companies involved. The formula will be based on how much traffic each part of the development is expected to generate.**

**Mr John MacGregor, transport secretary, said the lack of a fair method of allocating highway costs sometimes resulted in developments being blocked. The new system would enable more developments to go ahead.**

**Developers' Contributions To Highway Works, Department of Transport, Highways Services Division, Room 2/17, 2 Monck Street, London SW1A 2BQ. Free.**

## Writ alleges cash dispenser security depends on staff

By Ian Hamilton Fazey and Alan Cane

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**With hardware security modules in place, nobody should**

## Award for woman over pay cut

**and transaction details.**

**It is known that UK banks are still considering whether to include a "message authentication block" in the encrypted transaction message which passes from the ATM to a bank's computer. This is a special set of codes which virtually guarantees the authenticity of any message sent over the system.**

**A number of ways in which "phantom transactions" could come about are emerging. One involves errors in the card management software, which could result in genuine cards and PINs being sent to customers with the wrong information encoded on the magnetic stripe. Another involves the banks' own testing procedures. Dummy banks and dummy accounts are frequently set up to test software developments. There are concerns that this category of ATM transaction may run outside normal security measures.**

**Finally, there are concerns that because banks' ATM systems are linked, faults in one bank's software could create unpredictable errors elsewhere in the network.**

**She was justified in leaving, the tribunal decided, because the company's action was a unilateral breach of her contract carried out in demeaning and humiliating circumstances amounting to unfair dismissal.**

**The letter made clear the company was fully aware her consent to the change was necessary and that it was determined to push it through with or without her consent.**

**She was justified in leaving, the tribunal decided, because the company's action was a unilateral breach of her contract carried out in demeaning and humiliating circumstances amounting to unfair dismissal.**

**Mr Steve Bullock, vice-chairman of the association, said: "With London house prices falling more rapidly than elsewhere, homeowners will end up paying a surcharge because the valuations will be two years out of date. Councils will be inundated with appeals but people will be annoyed when they find that there are no grounds in the legislation for such appeals."**

**The Department of the Environment dismissed the association's figures as "speculation". The valuation register will be available for inspection in the autumn, but local authorities are under no obligation to notify homeowners of their banding before the issuing of the first council tax bills next spring.**

**Office indicate that valuations are likely to come out lower than anticipated by the Department. Some 45 per cent of properties across England are likely to be allocated to the lower two bands, compared to the government's estimate of 35 per cent.**

**However, since the basis of valuation is intended to be constant across the country as a whole, the perception of relative injustice and overpayment could remain strong. Homeowners will have no gen-**

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## FINANCIAL TIMES

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Saturday August 15 1992

## Paralysis of policy-makers

**OPTIMISM** IS an increasingly rare commodity in the British economy. Yet the pall of gloom, which seems to thicken by the week, is making matters worse. There are some more hopeful signs, for those who are willing to look. But they remain few and far between, and the government's claims that all will soon be well have proved to be counter-productive.

The economic news this week was certainly better than expected. Industrial output in June was flat, but manufacturing output has now risen for two consecutive months. And yesterday's fall in retail price inflation to an annual 3.7 per cent capped a good week for the government's anti-inflationary policy. Producer prices are rising at their slowest rate for 25 years, the fall in pay settlements in the service sector is catching up with that in manufacturing, and both wage and underlying price inflation are falling faster. The rise in unemployment in July was painless, but the rate of increase has moderated in recent months.

Yet to claim, on the basis of these figures, that the recession is over, or that the battle against inflation is won, is misleading. Changes in unemployment are lagging indicators of current economic conditions, but so are official output figures as the chancellor repeatedly argued last year. Survey evidence, he said, is a better guide to the future. But the recent industrial trends survey from the Confederation of British Industry suggested falling confidence, output and orders over the next three months.

### Raising spirits

Raising business spirits prematurely can deepen the gloom. If spending fails to respond, the slight pick-up in manufacturing output probably reflects decisions made in March and April in anticipation of a post-election recovery once the threat of Labour's tax increases had receded. The more recent gloom arises from the failure of that recovery to materialise. Next Monday's CBI retail survey is expected to show that sales are still falling. The extra manufacturing output is probably sitting in factory stores rather than consumers' kitchens.

The markets certainly seem to have become more cynical following the disappointments of the last few months. The FT-A All-Share Index rose by 13 per cent from April 9 to its post-election peak but has since lost all of that ground and more. The index ended the week unchanged on last Friday's close, unmoved by the events of the week, while sterling remains at the bottom of the European exchange rate mechanism.

International events are unlikely to come to the rescue.

**M**r Norman Lamont finally got away on holiday this week, leaving behind a chorus of demands for action to revive Britain's recession-bound economy.

Over the past three weeks, bankers, industrialists and, more predictably, trade unionists and the Labour Party have clamoured for the government to "do something" to end the longest recession since the second world war. The preferred prescriptions - to "kick start" the housing market, stimulate investment, lower interest rates and even devalue the pound - have been as varied as their promoters.

In spite of rising unemployment, falling business confidence and a growing fear that declining industrial orders will lead the economy into a new nosedive after the summer, the Treasury's instinct is to do nothing. Officials draw comfort from falling inflationary pressures and faint signs of rising manufacturing output. They argue that the business cycle will gradually recover from its present "corrugated bottom" once consumers gain sufficient confidence to spend more.

But the do-nothing approach sits ill with political realities. The mandarins of Great George Street are as aware as the prime minister and chancellor that Tory backbenchers are restive, the constituency parties grumpy, and that plans must be made to head off dissent at the party conference in Brighton in October.

So, despite denials, officials are sifting options for action, more, it has to be said, in the hope of achieving a presentational success than actually changing the course of the economy.

In fact, the government's hands are largely tied. It has hardly any monetary leeway so long as it sticks to its goal of low and, if possible, zero inflation through membership of the European exchange rate mechanism. Short term interest rates are determined by the Bundesbank where there is little hope of a fall in the all important Lombard rate from its present 3.75 per cent much before the end of this year. With the UK's 1992-93 public sector borrowing requirement expected to exceed the targeted £28bn and some pundits projecting a further rise to about £40bn the following year, there appears little scope for fiscal activism.

The so-called "nuclear" options of withdrawal from the ERM or devaluation of sterling can be ruled out so long as Mr Major and Mr Lamont are neighbours in Downing Street.

The only conceivable basis for such a policy change would be if a French "No" to Maastricht on September 20 triggered monetary chaos in Europe, leading to a collapse of the ERM: a turn of events that would in any case pose serious

All the factors which have depressed UK consumer confidence and spending over the last two years remain in place. House prices are still falling, interest rates are in double figures and consumers and banks are burdened by heavy debts. None are likely to lift any time soon.

Interest rates, in particular, look stuck at least until the end of the year. The prospect of many more months of slow growth in Britain means that wage inflation should eventually fall to sustainable levels within the ERM. But while falling inflation may be good news in the long-run, for now it merely compounds the pain by raising the level of real interest rates that debtors face.

The most likely outcome is that the UK economy will follow the US example and enjoy a temporary quarter of barely positive growth before slipping back into moderate recession again.

Cheerleading based on wishful thinking, rather than solid evidence, may lift spirits in the short-term. Prospects of anything other than an unrecognisably sluggish recovery remain bleak.

The government should tell it as it is.

**Peter Norman examines the economic options facing the UK government**

## Much ado about doing nothing



problems for the prime minister during the UK presidency of the European Community.

A review of the possible domestic policy moves also shows that there are no easy choices. Even the much touted option of a temporary cut in value added tax from its present 17.5 per cent rate to stimulate consumption has weighty downside elements. According to its supporters, a VAT cut:

- would act as an effective substitute for lower interest rates at home. Like an interest rate cut, a VAT reduction would lower costs for consumers and businesses and reduce the attractions of saving but have the additional advantage of not undermining sterling on foreign exchange markets.

However, VAT reductions are expensive. Treasury figures suggest that a six month VAT reduction to 15 per cent would cost around £2.5bn to £2.6bn - a heavy burden at a time of budgetary restraint.

High costs and a strong objection to additional subsidies for home owners were an important reason

why the Treasury reacted with such hostility to recent suggestions from the Abbey National and National Westminster Bank for new tax breaks to help the housing market. But this does not mean that no thought is being given to schemes to boost housing.

One no-cost option would be to change building society regulations so that credit-worthy house buyers could borrow more than the value of their planned home purchase. This could help people at present prevented from moving because of negative equity in their existing homes as a result of falling house prices. But whether house buyers would take advantage of such a scheme when house prices are still

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why the Treasury reacted with such hostility to recent suggestions from the Abbey National and National Westminster Bank for new tax breaks to help the housing market. But this does not mean that no thought is being given to schemes to boost housing.

or whether building society would have the necessary influence of full collateral is open to debate.

Support in parts of the supply side measures to move the economy. Some idea of England, could bring long-term benefits by enhancing the government's inflation policy. But it is the party faithful in Brighton, while a short term independent central bank could be used to push interest rates in financial markets.

Another suggestion is that the government should abandon its role of fully funding the government's borrowing debt entirely outside its debt.

Advocates say "understanding" the lower long-term interest aspect of dispute among experts would hardly have voter

come serious thought will be need spending on public services as a way of helping ministers are surely conscious that builders are often local constituents.

The main established groups did not buy inflated prices. They were much

wiser," Mr de Vlae says.

Unfortunately for the gloomy UK hotel industry, this good news does not come from a hotelier. Mr de Vlae is a partner with accountants and management consultants Touche Ross. All the hotels his firm controls are in receivership.

Touche Ross calculates that 125 UK hotels went into administration or receivership last year. By the end of last month, this year's figure had already reached 90.

Although Touche Ross can take the credit for the reduced costs and streamlined management of the hotels under its control, most of them were trading profitably when they went into receivership.

It was not the plunge in occupancy rates which began with the run-up to the Gulf war and has continued with the recession that drove the hotels out of business, although that has certainly not helped. Instead, they fell victim to the grandiose ambitions of the 1980s and the high debts incurred to accomplish them.

Owners of single hotels have suffered far more than the larger hotel companies.

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prices. They were much

wiser," Mr de Vlae says.

One of the survivors, Mr Jonathan Hassell, owner of the Colour Red House Hotel in Torquay, says that in the pre-recession years, "there were many people who moved to the seaside resorts and bought modest hotels. These were people who had not necessarily been in the hotel industry, but their banks' building societies had a great tendency to lend to them."

Many country house hotels were also taken over by hoteliers.

Mr de Vlae says: "Hotels were trading hands at values that were too high and could not be justified by the income streams that were being generated, even before the recession."

As property values have fallen, lending institutions have called in the receivers in the hope that something of the business can be salvaged and buyers found.

It was not just buying hotels which loaded their owners with debt. UK hoteliers, both new and experienced, borrowed to upgrade and improve their facilities during the 1980s to meet raised expectations of

the general belief in what

it is that such moves can only do at the margin. The emergence of recovery - just like the course of a recession - will ultimately depend on the behaviour of the government's consumers.

Recent trends have made

tougher ministers and officials

more confident that a recovery is in the pipeline. Yesterday's expected cut in inflation figures, upped by a sharp deceleration in recent months, go well for Britain's longer-term prospects.

In the meantime, Mr Stephen Bayliss, financial secretary to the Treasury, claims that in real terms the UK will end with a £20.5 billion deficit by 1993-94, saving could be two per cent better than the rate of ERM entry is taken into account.

It is clear that, as one Whig West said, "we're the best that they've got". The time has come to put the recession in perspective and to start with some optimism. There is no certainty that the future without cover is bright, but

normalised and an acknowledgement that public spending is declining confidence still further.

A small but local majority, however, Euro sceptics is destined to help the recession in the UK and the ERM and it is a sign of the times that they are again winning at the ballot box.

No one doubted the need for change. Critics and commentators believed the festival had become

too elitist and money-oriented. But

Salzburg has got more than it bargained for: Mortier, who made his name with adventurous opera programming in Brussels, has introduced new and unfamiliar works to which Salzburg's traditional audiences have proved resistant.

He has engaged stage directors like Peter Sellars and the Herrmanns, whose radical style is anathema to the festival's older supporters. He

has had particular emphasis on the younger generation, awarding the prestigious opening concert to the Gustav Mahler Youth Orchestra and handing out tickets to students for as little as \$2.

Mortier couches his programme in lofty philosophical terms, proclaiming Salzburg as a "utopia of the new Europe", a cradle of aesthetic internationalism - a far cry from the pure Germanic tradition on which the festival once thrived.

Coming from an outsider, this kind of talk makes locals nervous.

For much of the year Salzburg is little more than a quiet, provincial, Austrian town. In the postwar era it prospered from the festival's up-market status and its ability to attract swarms of summer visitors.

It is suspicious of anyone trying to

graft an alien personality on to its

contented Austrian face.

Many festival-goers are prepared to allow Mortier a honeymoon, and some of his innovations have been enthusiastically received. The appointment of Peter Stein as drama director, for example, allowed spoken theatre to resume the central role it had when Hugo von Hofmannsthal and Max Reinhardt founded the festival in the 1920s. Stein's production of Shakespeare's Julius Caesar was the popular hit of the opening week this summer, and there will be a wider selection of drama next year.

Mortier's contemporary music

programme is another welcome

contrast to the Karajan years,

when living composers received lit-

tle more than a token nod. And

Salzburg is at last able to hear the

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## COMPANY NEWS: UK

**Conder loss nears £23m leaving negative funds**

By Peter Pearse

**LOSSES IN 1991** at Conder Group, the construction and property concern based in Winchester, grew from £19.3m to £22.6m pre-tax and the unaudited balance sheet at the year-end showed negative shareholders' funds of £5.35m.

Mr Alan Lovell, chief executive, said that KPMG Peat Marwick would have qualified the accounts had they been published. As it was, the auditor was "unable to express an opinion as to whether or not it is appropriate to draw up the accounts on the basis that the group is a going concern".

October 5 is the deadline for publication and Mr Lovell said it was planned that Conder would have done enough by then for the accounts to be unaudited.

"Enough" amounted to the sale of IEI, the building services arm providing mechanical, electrical, ventilation and air-conditioning services on a design and construct basis.

Mr Lovell said he was not doing the work of receivers, though he admitted that IEI was core and its sale "disappointing". It would be sold "way above" book value, he said, and its sale would repair the damage to the balance sheet.

He added that the management had already done sufficient to produce "modest profitability" in May and June and to make the now smaller group viable at the moment, though it had made an undisclosed loss in the first half of 1992. Conder was "operating within facility levels" agreed with NatWest, its bank. Mr Lovell said an independent future was possible but disposal of the group was not ruled out.

Turnover tumbled to £18.3m (£28.1m) with 40 per cent of the fall from disposals and 60 from decline in continuing businesses. Operating profits of £7.19m turned into losses of £7m before exceptional charges of £6.05m (£22.2m) which related to the losses of Elmetsa, the closed curtain-walling company, and £7.12m (£3.52m) for property write-downs and rationalisation costs. Losses per share were 54p (39p) and the shares fell from 13p to 8p.



Rudi Mueller: received complaint

**Publishers defiant in spite of UBS writ on Smith**

By Andrew Jack

**THE ESCALATING** dispute over the book *Accounting for Growth* intensified yesterday when UBS Phillips & Drew, the securities house, served a writ on the book's author and its publisher.

Mr Terry Smith, head of the firm's UK research department who wrote the book, was suspended on Wednesday for allegedly breaching internal procedures with regard to the book.

The writ is brought in the name of UBS and four of its UK subsidiaries against Mr Smith and Random House, which is due to publish the book in mid-September.

It alleges infringement of copyright, disclosing confidential information used to help prepare the book, "passing off" by associating the firm's name with it, and breach of contract of employment.

*Accounting for Growth* examines a number of techniques used by large UK quoted companies which have the effect of producing high earnings figures and make the balance sheet appear less geared than it is.

UBS said yesterday that Mr Smith did not go through the normal channels, including clearing

the book through the firm's own editorial committee and sending copies to the companies mentioned to check for accuracy.

Mr Smith said yesterday: "I have no intention of withdrawing the publication. I have signed a contract and I can't possibly back down."

Random House said it was going ahead with publication. "We are confident and we are going to contest the writ vigorously," a spokeswoman said.

The book is due to be published on September 15 for £25. However, it is understood that a paperback version could be ready for sale as soon as next week for £12.99.

The name of UBS Phillips & Drew, which was printed on the front cover of the book below Mr Smith's name, will be removed.

Reports of the book published in the Mail on Sunday newspaper and in Accountancy Age, a specialist magazine, led to complaints to UBS from Grand Metropolitan, which was named as using more of the techniques than any other company.

The report triggered complaints from Sir Allen Sheppard, chairman of GrandMet, to Mr Rudi Mueller, chairman of UBS Phillips & Drew.



Terry Smith: always outspoken

**TransAtlantic declines sharply to £27m at six months**By Norma Cohen,  
Investment Correspondent

**TRANSATLANTIC Holdings**, the life assurance and property group, yesterday reported a fall in pre-tax profits from £34.2m to £26.1m for the first half of 1992.

The company's dominant shareholders are South Africa's Liberty Life and France's UAP insurance group. The results were TransAtlantic's first since obtaining a listing on the London Stock Exchange in the aftermath of its acquisition of property development group Capital and Counties.

Changes in accounting methods obscured comparisons with the previous year. Interest on Capital and Counties' Thurrock Lakeside properties was capitalised in 1991, effectively adding £16.8m to income in that year.

TransAtlantic's board expressed disappointment with the company's share price, saying that yesterday's opening price of 188p reflected poor market conditions rather than the underlying value of the company.

Analysts said that its exposure to property and insurance had weighed on the price, despite the underlying health of the businesses.

TransAtlantic said its property interests, largely in shopping centres, had held up well, although there had been some pressure on rental income.

Earnings emerged at 5.05p (8.16p) and the interim dividend is a same-again 6p.

Sun Life, the insurance company in which TransAtlantic has a 30 per cent stake, saw a significant increase in new business with total new premium income up 39 per cent to £86.1m. However, premiums may be adversely affected by Sun Life's decision to limit sales of its single-premium with-profit bond to £300m this year.

**Pressures that threaten to breach the Chinese Wall**

Richard Waters and Robert Peston on why independent advice from analysts is being questioned

**INVESTORS PAID** £1bn in commissions to their City stockbrokers last year. Judging by the row that broke out at UBS Phillips & Drew this week, they may not be getting very good value for their money.

Mr Terry Smith, Phillips & Drew's head of research, was suspended after a row with his employers which throws a spotlight on the independence of analysts in investment banks.

Compared to many analysts, Mr Smith has always been relatively outspoken and has never been afraid to criticise the companies he researched. At BZW, he caused severe embarrassment to the management of Barclays five years ago by saying that the bank's shares were over-valued.

The cause of the latest dispute is a book Mr Smith was preparing for publication which highlights the accounting techniques used by UK

companies to boost the level of profits they disclose or minimise the level of borrowings shown in the balance sheet.

Phillips & Drew became embarrassed by reports about the book which appeared in the Mail on Sunday newspaper and Accountancy Age, the magazine, last month. These articles highlighted Grand Metropolitan, the drinks and leisure group, as using more of the accounting techniques than any other company - though there was no implication that GrandMet was doing anything improper.

Nonetheless, Sir Allen Sheppard, chairman of GrandMet, which is banking client of UBS, was so annoyed that he complained to Mr Rudi Mueller, chairman of UBS Phillips & Drew and head of UBS's UK operations.

Mr Smith says there was a separate complaint from Sir Colin Marshall, who is a non-executive director of GrandWall.

Met. Sir Colin is also chief executive of British Airways, to which Phillips & Drew is joint stockbroker. British Airways yesterday refused to comment on the incident.

Phillips & Drew insists that Mr Smith's suspension "was purely for misconduct on procedural grounds. It has nothing to do with anything else."

This unhappy row has done little to restore investors' confidence in the quality of research published by full-service investment banks. Analysts are supposed to be insulated by so-called Chinese Walls from influence from other parts of a bank. But as Mr Smith said: "The Chinese Wall fell on me".

There have been rumbles before that outspoken analysts have been called to heel. Last summer Mr Derek Terrington, a media analyst, left Phillips & Drew to join Kleinwort Benson after

the late Mr Robert Maxwell complained of a circular which told investors not to invest in Mirror Group Newspapers. And BZW withdrew a proposed research note after companies including Fisons, Cable and Wireless and British Airways, complained of inaccuracies and misrepresentation.

Conflicts of interest are nothing new for analysts. They are under constant pressure to encourage investors to buy or sell shares - the only way they can generate their commissions. Also, they can be subjected to fierce assault from companies they criticise.

One analyst who had a run-in this year with a company in the FT-SE 100 index recalls: "It was a nightmare. They put more and more pressure on you. Thank goodness my firm stood by me."

The analyst, who says he is afraid of retaliation from the company if he is named, says the company threatened to sue

him for libel; hinted that it would cut off contact, depriving him of the information needed to do his job; and tried to persuade senior executives of his firm to dismiss him.

Even before the Big Bang of 1986, firms offered advice both to companies, as their corporate brokers, and to investors who bought their shares. As a result, much of the research published by companies' own brokers is automatically discredited by investors.

Two things, however, have intensified the pressure - and made the quality of research more questionable. One is the creation of all-purpose investment banks, multiplying the potential for conflicts of interest. The other is the squeeze on profits in the City, which has made independence a very expensive luxury indeed.

Research departments are suited to the heady days of the 1980s bull markets than the bearish 1990s. The average level of trading each day by investors - and hence the commissions earned by brokers - declined by around 40 per cent between 1987 and 1990.

On no result is that analysts being made to earn their keep by advising investment banks' corporate clients. That raises doubts about their impartiality when they come to advise investors on those companies.

Another result is that analysts, being a cost rather than a source of income, are not expected to rock the boat. All investment banks argue that their research departments are totally free to steer their own course, and that it would be extremely folly to try to interfere with their judgments. But in straightened times, such high-minded thoughts can often be forgotten.

**Portmeirion Potteries advances 40%**

AFTER AN upsurge in the first half Portmeirion Potteries is expecting a satisfactory result for 1992, although a return to the 1990 pre-tax profit level of £3.4m is unlikely.

In the six months ended

June 30 pre-tax profit came to £1.42m, an advance of 40.5 per cent over the depressed £1.01m. That was affected by short-time working and reorganisation costs, but at the end of 1991 the profit had

reached £2.81m.

Turnover rose 15.5 per cent to £10.4m. Earnings per share worked through at 8.89p (6.47p) and the interim dividend is again 2.25p.

**LIT down and gives warning**

A CUT in central charges led to LIT Holdings achieving an increase from £1.92m to £2.28m in first half pre-tax profit.

Normally, the opening six months is seasonally biased and produces materially higher operating profits. This time they fell from £4.05m to £3.47m, and the directors' "must anticipate" that the second half results may be worse than those of 1991 when operating profit was £7.12m and the pre-tax loss £5.6m.

The loss included doubtful debt provisions of NZ\$20.5m for 1991-92 and yield based on NZ\$88m on the recent purchase made by Manders ("relating to Windmill"), the own-label paint business bought for £5.65m in December.

Earlier in the bid process the rival paint makers had skirmished fitfully, if not always fruitfully, over management achievements, relative corporate performances, competition claims and other meaty industrial issues. Day 39 was delayed, came and went, as did the interim results of both

**End in sight of the paint pot battle**

By Peter Pearse

HOSTILE BIDS are supposed to contain a fair amount of sabre-rattling, but last week Kalon's bid for Manders (Holdings) produced what might be better described as penknife-waving.

The group, which recorded pre-tax losses of £2.74m in 1991, has been in negotiations with its bankers, which include National Westminster, pending an extraordinary general meeting on Tuesday. The group's net assets had dropped to less than half the value

**Burns-Anderson shares suspended**

of its share capital.

Burns-Anderson is the holding company for the country's third largest network of independent financial advisers, Burns-Anderson Independent Network.

Mr Alan Taylor, managing director of the network, which has 375 members registered with Fimbra, the self-regulatory organisation for IFAs, said yesterday that his company was financially "ringfenced" from the group.

There were no cross guarantees and there could be no call on his company's assets were the group to go

into liquidation.

Fimbra said yesterday that it was watching the situation closely.

Most of the company's problems have been caused by a downturn in business in the group's recruitment companies, Morson International and Burns-Anderson Recruitment.

Sir John Harvey-Jones, former chairman of ICI and renowned troubleshooter, was on the Burns-Anderson board between June 1987 and March 1991.

The company fell into loss in 1989-90.

**Mandatory puzzle for Trimoco**

By Maggie Urry

TRIMOCO, the motor dealer on the eve of its existing holding of 28.8 per cent of Trimoco's ordinary shares gave it a 39.4 per cent stake.

Under Rule 9 of the Takeover Code, Hartwell was then required to make an offer. It is in Takeover Code parlance, a "mandatory offer". However, the compulsion is on the offeror, not the offeree. The Takeover Panel does not feel that this is confusing.

The bid is of 17 1/2p a share in cash, the market price at the time Hartwell converted its shares. Trimoco's share price yesterday was unchanged at 17p.

Observers find it difficult to say if Hartwell's offer is serious. Companies making Rule 9 offers often hope that they will not be accepted. Hartwell's

offer document is low key, lacking the usual exhortations to accept. Trimoco is taking it seriously, if only because Hartwell has such a large stake.

Prices for electricity determined for the period from January 1st to December 31st, 1991, for the following areas and locations:	
Source: Electricity Commission of Great Britain, Price Fixing for 1991.	
1st Year	2nd Year
Electricity	Electricity
Generation	Generation
Transmission	Transmission
Wholesale	Wholesale
1991	1992
1992	1993
1993	1994
1994	1995
1995	1996
1996	1997
1997	1998
1998	1999
1999	2000
2000	2001
2001	2002
2002	2003
2003	2004
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2016	2017
2017	2018
2018	2019
2019	2020
2020	2021
2021	2022
2022	2023
2023	2024
2024	2025
2025	2026
2026	2027
2027	2028
2028	2029
2029	



## INTERNATIONAL COMPANIES AND FINANCE

## Dun & Bradstreet to sell Datastream operation

By Nikki Tait in New York

**DUN & Bradstreet**, the US business information group, is selling its Datastream international operation to **Primark**, a Virginia-based holding company, for \$191m.

Datastream, based in London, provides on-line investment information, research and portfolio accounting services on securities international.

In revenues in the year to end-November were \$84.5m, and it employs around 640 people worldwide.

**Dun & Bradstreet** acquired Datastream in 1984 for \$102m.

The New York-based company tried to sell the operation - with its interactive Data subsidiary - in 1990, but called off the auction in

November that year. Yesterday, Primark said it had been a "very interested" buyer then. When D&B received renewed inquiries about Datastream this spring, discussions with Primark restarted.

Until recently, Primark was an utility-based conglomerate. However, under the chairmanship of Mr Joseph Kasputys, a former acquisitions chief at McGraw-Hill, it is steadily being transformed in an information services group.

Primark has already made two recent purchases in this area: Wellmark, an electronic clinical and financial information system for medical centres and insurance carriers and The Analytic Sciences Corporation (TASC).

Yesterday, Mr Kasputys said Primark planned to market

Datastream more aggressively in the US, and hoped to expand the information services. He cited the need for "emerging" stock markets, in the merger and acquisition field, and added portfolio valuation services as potential growth areas.

He also suggested co-operation between TASC and Datastream could bring technological improvements.

Under the deal, Primark will pay D&B \$145m in cash and approximately \$46m in zero-coupon notes (on an original discount basis).

Mellon Bank and Barclays Bank have provided a commitment letter for \$30m of loan finance.

D&B said yesterday that it had no plans to open another auction for its interactive Data subsidiary.

## US bank plans recapitalisation

By Nikki Tait

**FIRST CITY Bancorporation**, the troubled Texas bank, yesterday put forward a recapitalisation plan which, it said, would bring its finances into line with regulators' requirements. The scheme would involve the disposal of about one third of the bank's assets.

However, it would not involve assistance from the Federal Deposit Insurance Corporation, the government agency which oversees the restructuring of troubled banks.

The FDIC provided almost \$1bn of a \$1.5bn rescue package for First City in 1987, and has been anxious to avoid a second major cash injection.

Mr Ivan Wilson, the company's new chairman, claimed

that over the past year, First City had "achieved significant reductions in the level of problem assets and resolved its most troublesome litigation". He said: "We believe the combination of these two factors should enable us to attract new capital without the need for FDIC assistance."

First City also unveiled second-quarter losses of \$18.5m after tax, against \$58.3m a year earlier, taking the loss after tax in the first six months to \$92.3m (\$130m). First City is one of the largest remaining independent bankers in Texas under local ownership. Mr Robert Abboud, the Chicago banker who led the 1987 bailout, resigned a year ago in the face of mounting loan losses.

The recapitalisation plan will require approval by regulators and shareholders. A shareholder meeting has been scheduled for December 8.

Under the proposals, First City would sell 13 of its banks - about a third of its assets - but retain its banks in the Houston, Dallas-Fort Worth, Austin, San Antonio, Corpus Christi, Alice, Aransas Pass and McAllen areas.

This move, it estimated, should raise upwards of \$210m, while renegotiation of some above-market leases and the settlement of certain guarantees and other obligations to the FDIC, should yield another \$100m of capital. An additional \$100m would be raised by a private placement of stock and a rights offering to existing shareholders.

The recapitalisation plan will

## Suspension of Allied Group shares in HK may be lifted

**THE Hong Kong Securities and Futures Commission (SFC)** has withdrawn a request that the HK stock exchange suspend trading in Mr Lee Ming Tee's flagship Allied Group and nine other companies, Reuter reports from Hong Kong.

An SFC statement said resumption of trading of the shares, all suspended on Wednesday at the SFC's request, was a matter for the companies to arrange with the exchange.

It also gave reasons for its request that a government inspector be appointed to investigate Allied Group and four other companies, citing concerns about a rights issue from Wai Yick, a property investment group.

Earlier, the government said

it had appointed Mr Nicholas Allen, of accountants Coopers and Lybrand, as an inspector to investigate these companies.

The SFC said it had investigated possible breaches of the Takeovers Code and the Securities (Disclosure of Interests) Ordinance.

"These investigations were triggered by concerns about a rights issue proposed by Wai Yick in January 1992 for the purpose of funding the acquisition of properties from Allied Properties (HK)," said the SFC. It said it also investigated unusual share price movements around the time of proposals to merge Allied Properties (HK), Allied Industries International and Asia Securities International with Allied Group.

Mr Yick said that over the next three years Semi-Tech would invest up to US\$100m in other joint ventures currently nearing agreement.

Worms, which has interests in luxury goods including a holding in Agache through its Financière Truffaut subsidiary, said that, with Singer's retail distribution expertise and Semi-Tech's intimate knowledge of the China market, "we are confident that Singer Shanghai will succeed and grow with the rapidly developing China market."

Mr Yick said that over the next three years Semi-Tech would invest up to US\$100m in other joint ventures currently nearing agreement.

## Semi-Tech to invest in joint venture in Shanghai

By Simon Holberton  
In Hong Kong

**SEMI-TECH**, the Hong Kong owner of the Singer Company, yesterday announced a major thrust into the mainland Chinese market. It unveiled plans to invest US\$14m with Singer in a sewing machine joint venture in Shanghai and up to US\$100m over coming years in related ventures in China.

Semi-Tech and Singer will join with Shanghai Ya Chang Sewing Machine Company to form Singer (Shanghai) Sewing Machine Company. Singer will own 70 per cent of the venture and its Chinese partner, which will contribute US\$6m, the balance.

Singer will provide manufacturing technology and management for the joint venture which is expected to occupy a 40,000 square metre site in the Shanghai Minhang economic and development zone of the city. The factory there will produce multi-function zig-zag machines which can be operated either manually or electrically.

The company will be permitted to sell up to 70 per cent of its production on the Chinese market - the highest percentage yet offered to a foreign joint-venture - and export the remainder, principally to Africa and the Middle East. Singer will be allowed to repatriate profits in equal proportion to its foreign sales, company executives said.

Production is expected to take place in three stages. From October this year, the company will import 20,000 knocked-down machines for assembly. By 1994, production is expected to reach 200,000 units as imports are phased out in favour of domestically produced machines. Phase three, to be completed by 1995, will result in full production of 400,000 units a year.

Singer plans to open a chain of up to 100 stores throughout China to market not only its sewing machines but other consumer durables. Three sites have already been chosen in Shanghai and two in Guangzhou (Canton).

Mr James Ting, chairman of both Semi-Tech and Singer, said that, with Singer's retail distribution expertise and Semi-Tech's intimate knowledge of the China market, "we are confident that Singer Shanghai will succeed and grow with the rapidly developing China market."

Mr Yick said that over the next three years Semi-Tech would invest up to US\$100m in other joint ventures currently nearing agreement.

## Tapie to take finance group private

By Alice Rawsthorn in Paris

**MR BERNARD Tapie**, the controversial French businessman and politician, has ended months of uncertainty over the future of his **Adidas** deal.

Tapie, his holding company, by returning the group to private status this autumn.

The decision to withdraw from the stock market marks a watershed in the fortunes of BTF and in the rags-to-riches story of Mr Tapie, who earlier this summer was forced to resign after a seven-week stint in the French cabinet because of his involvement in a fraud case.

BTF emerged in the 1980s as one of France's fastest growing companies during an acquisition spree in which Mr Tapie, who comes from a working class family, bought a series of bankrupt businesses.

BTF has emerged from its debts and is now in the final stages of negotiating a deal to rebuild BTF.

The only industrial interests left within BTF are Testut

Terriallion, a weighing machine



Bernard Tapie: has FFr300m to rebuild BTF

Two years ago, Mr Tapie pulled off the coup of his corporate career in the acquisition for FFr1.6bn (\$323m) of Adidas, the German company which is one of the world's best-known sporting goods groups.

However, BTF struggled under the debts amassed in the Adidas deal. It was forced to sell off minority stakes in Adidas and almost all its original businesses.

Last month it sold its remaining 58 per cent stake in Adidas' parent company to Pentland Industries, the UK consumer products company, for FFr4.6bn.

The disposals have left Mr Tapie with a cash surplus of FFr300m which will be used to reconstruct BTF.

The only industrial interests left within BTF are Testut

Terriallion, a weighing machine

## ING rejects 5% stake in BBL

By Ronald van de Krol  
in Amsterdam

**INTERNATIONALE NEDERLANDEN GROUP (ING)**, the Dutch banking and insurance company, turned down a chance to buy a 5 per cent stake in Belgium's second-largest bank, Banque Bruxelles Lambert, but reaffirmed its interest in raising its 10 per cent stake.

ING is eager to create a second "home" market in Belgium but yesterday rejected an offer from SBH Investment, a subsidiary of Unipar, the Italian holding company, to acquire its nearly 914,000 shares in BBL at FFr3,800 (\$125) each, about 10 per cent above their current market value.

ING said its decision was based on a "complex of factors" but declined to elaborate.

Analysts believe one factor is a Belgian law requiring that a public bid be launched if an investor buys shares at a premium and thereby acquires control of the company.

The 5.2 per cent holding would have formally made ING the single biggest shareholder in BBL at 15.2 per cent, ahead of SBH.

This leaves the Italian company free to find other buyers for the shares, they are sold at FFr3,800 each.

If it lowers the price, it must approach syndicate members again, starting with Groupe Bruxelles Lambert (GBL) which owns a 13.5 per cent stake, but which controls 24.3 per cent thanks to allies Royal Belge and UAP of France.

ING said its decision was based on a "complex of factors" but declined to elaborate.

Analysts believe one factor is a Belgian law requiring that a public bid be launched if an investor buys shares at a premium and thereby acquires control of the company.

The 5.2 per cent holding would have formally made ING the single biggest shareholder in BBL at 15.2 per cent, ahead of SBH.

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## LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Data relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange's system, they are given in descending order but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Plus 533 stocks are not represented by the International Stock Exchange or the United Kingdom and the Republic of Ireland Ltd.

† Bargains at special prices. † Bargains done the previous day.

## British Funds, etc

No. of bargains included 178

Treasury 13% Gd Bds 2000/03 - £121\*

Exchequer 0% Yr 2005 - 105%

Guaranteed 10% Gd Bds 2000/03 - 125%

12% Gd Ln Stk 2002/Reg - 118%

Corporation and County Stocks

No. of bargains included 1

Birmingham District Council 11% Gd Red

Stk 2012 - £110k (11Au92)

Leeds City Council 10% Gd Bds 2000 - 1212

Manchester City Council 11% Gd Red Stk 2007 - £110k (11Au92)

Port of London Authority 5% Port of London A/Bds 2095 - £20k (11Au92)

UK Public Boards

No. of bargains included 2

Agricultural Mortgage Corp PLC 5% Gd Deb

Stk 9395 - £974k (7Au92)

6% Gd Bds 2000 - 105%

7% Gd Bds 2003 - 113%

Mangroves Water Metropolitan Water 3%

A/A 10% Gd Bds 2000 - 105%

Port of London Authority 5% Port of London A/Bds 2095 - £20k (11Au92)

Foreign Stocks, Bonds, etc-(coupons payable in London)

No. of bargains included 8

A.M.U.K. PLC 10% Bds 2015 (Br)

£5000k (£1000k) - £181 (12Au92)

American National Bank 10% Gd Bds 2000 - 105%

10% Gd Bds 2003 (Br Var) - 110k (11Au92)

11% Subord Gd Bds 2007 - £108k

11% Subord Gd Bds 1999 - £101k

Albany National Treasury Service PLC 10%

Gd Bds 1999 (Br Var) - 101k

Amoco Development Bank 11% Gd Bds

2001 - £107k (12Au92)

Agricultural Mortgage Corp PLC 11% Gd Bds

2000 - 105%

10% Gd Bds 2002 - 1212

Anglo American PLC 42% Gd Bds 2002 -

1212 (11Au92)

Asian Development Bank 11% Gd Bds 2001

- £100k (12Au92)

Asian Development Bank 11% Gd Bds 2002 -

1212 (11Au92)

Asian Development Bank 11% Gd Bds 2003

- 1212 (11Au92)

Associated British Ports Holdings PLC 10%

Bds 2000/03 - 100k (11Au92)

Associated British Ports Holdings PLC 10%

Bds 2000/03 - 100k (11Au92)

Associated British Ports Holdings PLC 10%

Bds 2000/03 - 100k (11Au92)

BP America Inc 9% Gd Nts 1995 -

100k (12Au92)

BP America Inc 10% Gd Nts 1995 -

100k (12Au92)

Barclays Bank PLC 5% Gd Bds 1995 - 110k

11% Subord Gd Bds 1997 - £108k

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# Inflation news drives equities higher

By Terry Byland  
UK Stock Market Editor

Advanced Declining Stocks	
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#### **FT MANAGED FUNDS SERVICE**

- Current Unit Trust prices are available on FT Cityline. Calls charged at 38p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

## **AUTHORISED UNIT TRUSTS**

### **FT MANAGED FUNDS SERVICE**

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#### **ET MANAGED FUNDS SERVICE**

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and 49p/minute at all other times. To obtain a free Unit Trust Guide Booklet ring (071) 525-2128

## **OFFSHORE AND OVERSEAS**

## **BERMUDA (SUB RECOGNISE)**

## **FT MANAGED FUNDS SERVICE**

- Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

ISLE OF MAN (REGULATED*)															
Star Fund Managers (IOM) Ltd															
First Actuaries Inc															
Liquidity Fund Managers (IOM) Ltd															
PwC Asset Management (IOM) Ltd															
Mistryary Fund Managers (IOM) Ltd															
AIA Financial Services (IOM) Ltd															
Sax Capital Management (IOM) Ltd															
ATC Fund Management (SG) Ltd															
AEGON Financial Services Ltd															
CART Fund Managers (SG) Ltd															
Tudor Fund Ltd															
City Financial Assets (IOM) Ltd															
Citi Bond Fund															
John Goveit Management (Jersey) Ltd															
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## WORLD STOCK MARKETS

## AMERICA

# Modest uplift for Dow as bonds recover

## Wall Street

A RECOVERY in bond prices and a bigger-than-expected rise in industrial production failed to lift US stock markets noticeably yesterday morning, and amid light summer trading share prices registered only modest gains, writes Patrick Harrison in New York.

By 1pm the Dow Jones Industrial Average was up 11.07 at 3,324.34. The more broadly based Standard & Poor's 500 was also slightly firmer at mid-session, up 1.76 at 419.49, while the Amex composite was down 0.57 at 365.18 and the Nasdaq composite 1.27 higher at 572.26.

Turnover on the NYSE was light at 85m shares by 1pm, and rises outpaced declines by 848 to 847.

For the second consecutive day, share prices were unable to break out from a narrow range either side of opening values. The fact that bond prices bounced back sharply, having fallen more than a point yesterday on concern about the outlook for reducing the huge federal budget deficit had little impact on equities.

The announcement of a 0.4 per cent rise in July industrial production also failed to stir much interest, probably because investors heeded the words of analysts who noted that most of the rise in output was covered by one-off gains in utility use and mining production.

Among individual stocks, Chrysler fell 5% to \$20.30 in turnover of 1.4m shares on reports that a few banks in a 152-member consortium are refusing to renew their loans to the carmaker, which could jeopardise the entire \$6.8bn lending package. In contrast, the other big manufacturers were higher, with General Motors up 5% at \$38.61 and Ford 5% firmer at \$41.11.

Black & Decker dropped 1% to \$18.75 in turnover of 1m shares after the broking house County NatWest slashed its third-quarter earnings estimate from 38 cents a share to 23 cents a share.

ASR Investments dropped 3% to \$32 after reporting a second quarter loss of 47 cents a share, from a 32 cent a share charge. Last year ASR made a profit of 28 cents a share.

On the American Stock Exchange, Wang Laboratories fell 5% to \$1.1 in heavy trading on speculation that the company, which has just paid employees two days early and is still delaying its fourth-quarter results announcement, may be preparing to file for bankruptcy protection under Chapter 11.

On the Nasdaq market AmeriFuneral fell 5% to \$1.13 after it adopted a shareholder rights plan to protect them from any takeover attempts through "unfair tactics".

## Canada

TORONTO stayed sluggish, with volume rising only from 9.9m shares to 10.1m at noon as the TSE 300 composite index rose 5.47 to 3,365.92. Golds recovered after heavy selling earlier in the week and the metals and minerals index rose 10.02 to 2,962.92.

Nova Scotia Power topped the most active list for the third straight day, following its initial listing on Wednesday. Its common shares rose C\$3 to C\$10.4 in volume of 722,689 and its receipts edged ahead C\$0.1 to C\$7 with 437,000 changing hands.

## SOUTH AFRICA

JOHANNESBURG drifted lower as De Beers remained under pressure, off R1.65 at R60. Its shares have lost R15 on the week. The overall index closed 15 lower at 3,140 at 1,763.46, still 13 per cent down on the week.

The futures market reacted quickly to the German news,

warnings started to go out a few weeks ago that most of the forces which had made the Swiss stock market the best performer in Europe during the first half of this year had played themselves out.

The rest of the year, according to many analysts, promises to be much less buoyant. "There is no reason to be aggressive on the Swiss market now," says Mr Serge Ledermann, head of equity research at Lombard Odier & Cie in Geneva. Mr Robin Seydoux of Credit Suisse agrees. "There is little potential for the Swiss market at the moment," he says.

This is not, however, a unanimous view. Some feel that even though times are tougher the Swiss market will continue to outperform many other European markets, mainly because the profit outlook for the top Swiss companies remains surprisingly good.

"We still favour the Swiss market as one of the best in Europe," says Mr Martin Gollner at Barclays in London. The all-share Swiss Performance

Index (SPD) started the year at 1,050 and rose steadily to the 1,200 level in early May. It remained there for a month before sliding back to yesterday's close at 1,119, leaving it still some 6 per cent up on the year to date. The SMI index of leading shares has followed a similar pattern, rising from 1,670 at the beginning of the year to a peak of 1,988 in early May. It is now back at 1,791.

Among the factors contributing to the market's rise were very high profit growth last year by leading Swiss companies and expectations of more good results this year. Also, there were indications early in the year that inflation and interest rates were about to fall and the recession in Switzerland to end.

Lastly, there was the great leap forward in transparency and investor friendliness achieved by many Swiss companies as the implementation of a new companies law in July approached. Share splits and better financial reporting were particularly appreciated by foreign investors, and analysts agree that it has been foreign

investors, for example, cut its forecast from 0.8 per cent to 0.3 per cent. The dimmer economic outlook has naturally raised worries about corporate profits. Credit Suisse has revised downwards its estimate of profit growth for the 2L SMI stocks from 18.4 per cent to 15.1 per cent.

Investors have been merciless in recent days with companies which have indicated in interim reports that business was deteriorating. Elco Looser, a popular maker of high technology burners, said on August 4 that its profit growth would not be as high as it hoped, and the shares have since shed SF150 to SF140. Logitech has been similarly hit, with the shares down SF110 to SF139 in just over a week.

The noticeable exceptions to this trend have been the big bank stocks, which have been firm in spite of the gloomier interest rate outlook and warnings in the interim statements of Credit Suisse and Swiss Bank Corporation of higher than expected provisions this year.

Mr Gollner observes that

inflation has halved in the past year and he thinks that interest rates have finally peaked. Thus it is probably time to start looking at the banks and insurance companies again. This view was reinforced last Wednesday by BZ Vision, an investment holding company which launched a SF200m rights issue in Zurich to boost its investments in financial companies.

Then there are the looming milestone decisions concerning Switzerland's future relations with the European Community. On September 27, the Swiss will vote on an Alpine transit treaty with the EC, providing a good guide on how they will vote in December or next year on joining the so-called European Economic Area (EEA). Both votes will undoubtedly be influenced by the result of the September 20 referendum in France on the Maastricht treaty.

Mr Beat Philipp of Bank Vontobel in Zurich believes that political uncertainty over European integration is "the major force" driving European markets at the moment. In

terms of the influences on the Swiss market, he believes a rejection of Maastricht by the French would be positive, restoring a bit of the safe haven patina to Swiss securities. But the Swiss vote on the EEA is much more important, and a "No" vote would be very negative because failure to join the EEA would weaken the country's economic growth potential.

At present, the likelihood of a Swiss rejection of the EEA treaty is in our view seriously underestimated, especially by observers outside our borders." Mr Philipp argues ominously.

The political factors alone suggest that there could be a high level of volatility in the market in the coming months. And that makes most analysts tend to fall back on the very strong, and relatively inexpensive multinationals like Nestlé, Sanofi, Roche and Ciba-Geigy, the latter two on p/e's of 13 and about 10%, while US competitors in the pharmaceutical industry, like Merck and Pfizer, are on around 20.

## EUROPE

# German economic slowdown gives bourses confidence

## FT-SE Eurotrack 100 - Aug 14

Hourly changes						
Open	10.30am	11 am	12 pm	1 pm	2 pm	3 pm
1029.46	1032.67	1033.63	1036.53	1036.86	1038.97	1040.67
						1042.13
Day's High	1042.13					
Day's Low	1029.33					

Base value 1000 (28/06/90)

having been depressed in early trading, and this enthusiasm was quickly taken up by equities. However, in spite of the mild euphoria that greeted the unexpected change of direction, turnover remained moderate at FF1.62bn.

Some FF1.62bn of that was accounted for by dealings in Eurotunnel which continued to rise on earlier reports that settlement may be in sight over the dispute between the group and contractors. Its shares recovering further in the post-bourse.

Turnover fell from DM6bn to DM4.8bn. During the session, the carmakers BMW and Daimler dropped DM1.50 to DM530.50 and DM3.50 to DM7 respectively. Dealers said that

to FF35.10.

FRANKFURT had little time to react to the price data and the DAX index, while it rose 1.20 to 3,473.80 on the day, still closed 3.8 per cent down on the week. There were signs in London, later, that blue chips were recovering further in the post-bourse.

Turnover fell from DM6bn to DM4.8bn. During the session, the carmakers BMW and Daimler dropped DM1.50 to DM530.50 and DM3.50 to DM7 respectively. Dealers said that

the weaker dollar has been weighing on exporters and Mr Hans Peter Wodnok, of James Capel in Frankfurt, expected a sizeable drop when the July car registration data come out in about a week.

Mr Wodnok said that yesterday's was a technical recovery, perhaps with some shorts covered, but that after the severe depression of sentiment on Tuesday and Wednesday in particular, people were beginning to think about equity investment again.

AMSTERDAM, encouraged by its neighbours, moved ahead with the CBS Tendency Index gaining 1.5 to 113.3. But weakness throughout the rest of the week resulted in the index shedding 2.2 per cent over that period.

Wessanen, the food products group, stood out with a rise of FI2.20 to FI87.70 after earlier reporting a 13 per cent rise in first half earnings. ING, the insurance group, rose 20 cents to FI46.20 on news that it was not to take a 5 per cent stake in Banque Bruxelles Lambert.

MILAN weakened on Moody's downgrading of Italy's foreign currency debt rating, the Comit index dropping 4.58 to 383.70, 5.6 per cent lower on the week, in very low volume.

Investors ignored preliminary measures to enliven the market, and to advance the government's ambitious privatisation programme, announced late on Thursday by the finance minister Mr Giovanni Corrao.

Traders did note, however, that the insurance sector posted gains in after-hours trading, partly on rumours of a devaluation of the lira, which has been under speculative pressure. Ras closed down L265

reporting a 13 per cent rise in first half earnings. ING, the insurance group, rose 20 cents to FI46.20 on news that it was not to take a 5 per cent stake in Banque Bruxelles Lambert.

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Banks were the outstanding feature, led higher by Sanpaolo which gained Pta30, or 3.9 per cent to Pta30.50. Banco di Popolare Pta65 to Pta67.50 and Popular Pta80 to Pta83.00.

OSLO rose for the first time in eleven trading sessions, the all share index ending 3.49 better at 151.33, still 3.1 per cent lower on the week.

VIENNA ended the week stronger with the ATX index up 13.12 at 186.08, but 3.3 per cent lower over five days.

## LONDON SHARE SERVICE

## BRITISH FUNDS - Cont.

Notes Price C + or 1992 Yield Notes Price C + or 1992 Yield

+ or 1992 high low Int. Ret. + or 1992 high low Int. Ret.

Shorts (Live up to Five Years)

Conversion 10pc 1995

Conversion 10pc 1996

Conversion 10pc 1997

Conversion 10pc 1998

Conversion 10pc 1999

Conversion 10pc 2000

Conversion 10pc 2001

Conversion 10pc 2002

Conversion 10pc 2003

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# FINANCIAL TIMES

Weekend August 15/August 16 1992

**MoDo**  
PULP, PAPER & PAPERBOARD

Latest opinion polls show Bush continuing to lag behind Clinton

## Baker faces formidable challenge

By Jurek Martin in Washington

POLITICAL America took stock yesterday of the impact of Mr James Baker's return to the White House and the messages of a fistful of new public opinion polls released before next week's Republican convention in Houston.

The polls demonstrated how formidable Mr Baker's task will be to bring victory in November for President George Bush over Mr Bill Clinton, the Democratic candidate. But at least they show some narrowing of the gap between the two.

A Wall Street Journal/NBC survey had the Arkansas governor ahead by 54-36 per cent, while one conducted for USA Today and CNN showed him leading by 56-37 per cent. Both were below his 20 point-plus lead in most other polls. At the same point four years ago Mr Bush had virtually caught up with Mr Michael Dukakis.

Both surveys showed Mr Bush's job approval rating at near-historic lows. Equally disturbing for his party, the Journal/NBC poll found the electorate more inclined than ever before in the Bush presidency to vote for the Democrats in Congressional races.

Mr Bush and Mr Baker would also find bleak reading in a compilation by the newsletter, The Hotline, of the 29 state polls taken since the Democratic convention last month.

Mr Clinton is ahead in all but one, Utah, where he has nearly caught the president. In 20 states, with more than enough electoral college votes to win the presidency, his lead is bigger than the usual margin of polling error.

Mr Baker's assumption of the political reins was generally welcomed by Republicans, including those on the right known to distrust him. Conservative luminaries, including Mr Dan Quayle, the vice president, and Mr Jack

Kemp, the housing secretary, agreed he could bring focus to a disorganized campaign.

Some of the inherent divisions within the administration were re-emphasised yesterday with the publication of interviews with Mrs Barbara Bush. The president's wife said she did not think the question of abortion had any place on the party platform, which, as drafted this week, includes the demand for a constitutional amendment banning it.

She also criticised Mr Rich Bond, Republican national chairman, for his personal attacks this week on Mrs Hillary Clinton and said she did not like the scrutiny paid to Mr Clinton's private life. But she did think his avoidance of military service in the late 1960s was a legitimate area of inquiry.

Mr Clinton, meanwhile, continued to take on the president in his presumed area of strength, foreign policy. In Los Angeles late on Thursday, he declared:

"In a world of change, security flows from initiative, not inertia."

Directly addressing Mr Baker's recitation of administration successes abroad, he said: "The notion that the Republicans won the cold war reminds me of the rooster who took credit for the dawn." Communism, he went on, "rotted from the inside out, with heroes both famous and unknown leading the way".

From the Baltics to Beijing, from Sarajevo to South Africa, this president has sided with the status quo instead of democratic change," an approach that would change if he became president, he said.

He cited Woodrow Wilson and Franklin Roosevelt as men who went to the White House straight from governorships and who led the country to victory in two world wars.

It was, he said, all a matter of personal strength, values and judgment.

It must certainly be gratifying for the government to see British inflation fall to 3.7 per cent. For financial markets the slower rate of price increases is of limited interest as long as monetary policy is constrained by what happens in Germany. In that context, yesterday's 39 point jump in the FT-SE may owe more to July's 13 per cent fall in German wholesale prices, though the London market is probably deceiving itself if it believes that this will lead to a speedy cut in D-Mark interest rates.

ERU membership was always likely to shift London's focus away from Wall Street and align it more closely with continental Europe. The period since the FT-SE peaked on May 11 is a telling example of how far this process has gone. London has fallen by 14 per cent, broadly in line with both Paris and Frankfurt. The Dow is down by less than 3 per cent. It is almost certainly no coincidence that prices rebounded in all three European centres at once yesterday.

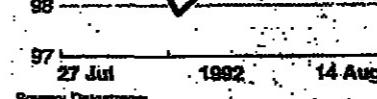
Yet Frankfurt's rally was the least convincing of the three, amounting to less than half a per cent. Investors there apparently believe a falling rate of headline inflation is not in itself enough to convince the Bundesbank to relax. The central bank remains concerned about the credibility of its efforts to control money supply, still growing at around 5 per cent. This week it has been draining liquidity from the local money market. That said, yesterday's FT-SE advance gives some indication how smartly London could rebound when the Bundesbank does decide to move. Whether it will then still be marching in time with the Frankfurt equity market is less clear. That will depend on whether the latter is more sensitive to lower interest rates than to a weak economy and disappointing corporate earnings.

The risk remains, however, that lack of official action will simply provoke the market into testing the absolute D-Mark floor. The task facing the authorities might be easier if the UK were not so hooked on base rates as an indicator. Continental central banks often seem more flexible in the range of signals they can send to the markets.

However, the quality of placement achieved by the book building process remains unproven. Some institutions must be expected to take profits if the shares rise above the \$600 sale price. Other than a couple of large liquidations by UK institutions, however, there was little sign of nervous selling last week.

Wellcome

Share price relative to the FT-SE All-Share Index



Source: Datastream

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7 Jul 1992 14 Aug 1992

tion on the authorities to do anything until the currency is at its absolute floor, but some in the market would be looking for a response if the divergence indicator against the Ecu reached minus 75 (it is now minus 71). Given the severity of the blow to confidence that would follow from a base rate rise, it is natural for the authorities to hold their fire. Pressure on sterling may yet abate, especially if the dollar manages to stage a recovery.

The risk remains, however, that lack of official action will simply provoke the market into testing the absolute D-Mark floor. The task facing the authorities might be easier if the UK were not so hooked on base rates as an indicator. Continental central banks often seem more flexible in the range of signals they can send to the markets.

### Wellcome

The Wellcome share sale was always likely to face sniping from institutions which benefited from the traditional method of selling equity in the UK, including the lucrative system of sub-underwriting. Last week's sudden cut in the price at which the issue was supported, leading to an 18p fall in the shares on Tuesday, seemed to offer the critics further ammunition.

However, US-style support or stabilisation is meant only to smooth the progress of an issue absorbing shares not held firmly by investors. By maintaining the support price at 800p, the lead manager felt itself in danger of creating a false market. As the chart shows, Wellcome had outperformed a failing market by 4 per cent in the previous week. This was clearly more

than is implied by stabilisation. If remains to be seen whether Wellcome will now find a firm floor. The shares closed the week at 787p, only 1 per cent behind the market since the issue started trading on July 27. Of the 40.5m shares available to the lead manager for stabilisation, perhaps 15m are still held in reserve. Perhaps more important, they were trading comfortably above the new 777p support price, suggesting a fragile equilibrium of buyers and sellers.

However, the quality of placement achieved by the book building process remains unproven. Some institutions must be expected to take profits if the shares rise above the \$600 sale price.

Other than a couple of large liquidations by UK institutions, however, there was little sign of nervous selling last week.

### Precious metals

It is not surprising that platinum led precious metals down this week. Worries over the Japanese economy, which accounts for just over half of world platinum uptake, coincided with General Motors' confirmation that further car plant closures were likely. With catalytic converters now de rigueur, any further fall in car output will dent platinum demand.

For gold the picture is more technical. Speculators fretting that gold had failed to break the chart level of \$360 an ounce were made more nervous by the platinum fall and some selling by US mutual funds and Australian gold producers. With the gold price now back near the year's lows in dollar terms – and at new lows for the year in other currencies – attention switches to the longer term. Bulls argue that Russian gold sales will continue to fall because mined output is falling and reserves were raided heavily in 1990 and 1991. Low US interest rates have tempted a few investors in, and the instability in Bosnia may also offer support.

But with inflation low, there is little long-term reason for gold to resume an investment role. As a pure commodity, supply is more than adequate to meet anticipated industrial and jewellery demand. Then again, as a commodity, gold ought to have a floor just above the marginal cost of production – around \$300 an ounce. Central banks are a wild card. If others follow Belgium and liquidate holdings, further price falls are possible. Even the threat that they will do so is enough to depress sentiment.



South Korean riot police faced petrol bombs as they blasted volleys of tear gas into a thin line of demonstrators guarding Seoul National University campus where thousands of students gathered for an outlawed pro-unification rally

## Banks call Efim loans into default

By Richard Waters in London and Haig Simonian in Milan

SOME 150 international banks yesterday called into default their loans to Efim, the Italian state holding company, marking a further deterioration in relations between the Italian state and the international financial markets.

The banks have been angered by the Italian government's move last month to put the holding company into liquidation, and its announcement on Thursday that banks would receive substantially below market interest rates until their loans are repaid.

The Italian Treasury expressed surprise at the action. It said banks should have been well aware of the group's poor financial health, given the "particularly high" interest rates that were paid on its debt.

Bankers, however, said they regarded Efim as virtually an arm of the Italian Treasury. One foreign banker, who heads a syndicate of banks which lent money to an Efim subsidiary, said: "I can't think of the last time a G7 country was in default on its quasi-state debt. The implications for the republic in the international financial markets must be severe."

The default followed a meeting

## Shares rally in Europe

Continued from Page 1

Mr Norman Lamont, the chancellor, has been under pressure from Tory backbenchers to boost the economy in the face of rising unemployment, which hit a five-year peak last month.

Mr Tony Nelson, the economic secretary to the Treasury, said the latest inflation data, along with a modest rise in manufacturing output, were signs of "better economic conditions that are to come."

Last month's fall in the RPI puts Britain's inflation rate below the EC average of 4.5 per cent but above the 3.3 per cent average of the Group of Seven leading industrial countries.

One member of the co-ordinating group also suggested that the move was a warning that any Italian big state holding companies could be called into default.

They are already technically in default, having been transformed from state entities into joint stock companies, although banks have not taken any steps in these groups.

Mr Piero Barucci, the Treasury minister and an ex-banker, noted that, under the plan to issue bonds to creditors, foreign and Italian banks would receive equal treatment.

"Efim has suffered the worst fall in investment, the worst rise in unemployment, record business failures and a worse economic growth performance than any of our major competitors," he said.

The Confederation of British

Industry described the inflation figures as "extremely good" and said the UK was set to have one of the lowest inflation currencies in the European exchange rate mechanism. The Institute of Directors warned that wage inflation must be brought more in line with retail price trends to prevent job losses.

Mr Gordon Brown, the shadow chancellor, pointed out that inflation was still higher in the UK than in Germany, Japan, France and the US.

"Britain has suffered the worst fall in investment, the worst rise in unemployment, record business failures and a worse economic growth performance than any of our major competitors," he said.

Another concern is sterling's divergence from its central rate against the Ecu, which was at 71 percentage points yesterday.

When the EMS was created in 1979, it was agreed that a central bank would intervene when its currency diverged by 75 percentage points.

Analysts say there are no significant support levels for the pound on the downside because the currency has not been at these low levels in the ERM before.

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When the EMS was created in 1979, it was agreed that a central bank would intervene when its currency diverged by 75 percentage points.

is prompted by stabilisation, it is to be seen whether Wall Street has had a firm floor. The shares in the market since the issue of the week at 700, only 1 per cent above the market since the issue of July 27. Of the shares available to the lead institution, perhaps 10 per cent have been sold. Perhaps more than that, as trading continues, the new market support price will be tested.

After the quality of placement

is improved, the stock building process is improving. More institutions are beginning to take profits if the market does not go up. Large banks, like the Bank of America, are more than a third of large banks by U.S. standards. However, the little men of finance selling

stocks

now are making a profit.

The market is still in a

downward trend.

The market is still in a

## MARKETS

## London Markets

# Harold has a message for John

By Peter Martin, Financial Editor

**F**IRST thing on Friday, the FT reported that the dividend yield on the FT-Actuaries All-Share index had closed the previous day at over 5% per cent. A few hours later, the government announced that retail prices had risen at just under 3% per cent in the 12 months to July.

Taken separately, these two figures are unremarkable. The surprise lies in their juxtaposition. Subtracted one from another – to show the real, or inflation-adjusted, yield on equities – they reflect something that has happened in only a few months during the past quarter-century. On the basis of those numbers, UK equities this week are providing a real yield of over 1% per cent.

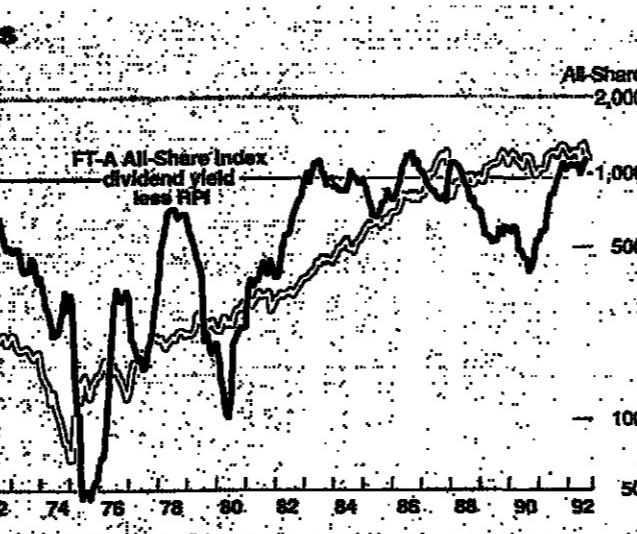
As the chart shows, that level was achieved for a couple of months in the summer of 1986, and for a couple of years in the mid-1980s. Otherwise, real yields on equities have stayed well below that; indeed, for most of recent experience,

they have been negative. By itself, that might be a mere curiosity. But periods of positive real yields appear to have usually been followed, in the past quarter-century at least, by a sharp rise in the stock market, pushing yields down in both nominal and real terms.

So, does the current level of yields reflect one of those extraordinary buying opportunities that come along once a decade or so? You would not have thought so, to judge from the mood of the market for most of the week. As day followed day, each bringing a lower closing figure for the FT-SE 100 index, the gloom peaked at 3.61 per cent.

To anyone over the age of 40, those dates are indelibly engraved on the memory: they represent the Wilson government's years on the cross, the grueling and ultimately unsuccessful struggle to cope with an overvalued currency. In November 1967, Harold Wilson gave in, and the pound was devalued. By the spring of 1968, real yields were negative.

Then, as now, sterling was



trapped in a fixed-exchange rate system. Then, as now, the pound appeared over-valued against some currencies; and interest rates had to be kept up to defend it. If the analogy is a relevant one, then one risk is that this time high real yields may last until John Major follows Harold Wilson's example.

There are a couple of important differences between the mid-1960s and now, however, and the events of this week illustrate them nicely. One is that some, at least, of big British manufacturing companies are coping better with this recession than with the slowdowns of previous decades. On Thursday, for example, the engineering group Glynwood reported half-year profits up 48 per cent, even though turnover was lower. If British manufacturers are better able to cope with high interest rates and a possibly overvalued pound than they were 25 years ago, dividend yields may not need to be quite so high as they were then.

A second, perhaps more substantial, difference is that the ERM, unlike Bretton Woods, ties the UK to the D-Mark rather than to the dollar. British interest rates are now set by the Bundesbank, which keeps its attention focused single-mindedly on German inflation. When German inflation is unacceptably high, so are sterling interest rates. Lower German inflation would permit lower German – and British – interest rates, and allow ERM currencies to weaken against the dollar. They would offer John Major's contemporaries the sort of escape from high real yields that Harold Wilson's could only find in a for-

mal devaluation.

The really significant news on Friday, therefore, was not the mildly encouraging inflation figures from the UK, but some much more surprising numbers from Germany. West German wholesale prices dropped sharply in July, the government reported, to a level 0.9 per cent below those of a year earlier, the first such decline for two years. The figures were accompanied by televised comments by Hans Tietmeyer, vice-president of the Bundesbank. He said he and his colleagues would re-examine German interest rate levels in a couple of months, a comment which the markets interpreted as ruling out a further rise in rates for the time being.

Once markets had digested all this, they rallied across Europe. In the UK, gilt prices closed up a point, and the FT-SE finished at 2,356.8, up 33.8 on the day and 6.7 on the week. Interest-rate sensitive stocks, such as retailers, were big gainers.

A couple of other influences lay behind London's recovery of spirits. By Friday, it had become clear that big building societies were not going to follow the Skipton society's example and push up their mortgage lending rates, so fears of a further downward spiral in the housing market had abated.

And on Thursday, industrial output numbers had been mildly encouraging, reflecting a rise of 0.4 per cent in both the first and second quarters. The pound was weaker still on Friday, however, closing at DM2.8150, probably the lowest since sterling entered the ERM. It was an ominous reminder of Harold Wilson's years of travail...

**W**ORLD stock markets have not had a very happy summer. The decline in the Tokyo market has rekindled fears of a "meltdown" in the Japanese financial sector. European shares have been depressed by the Bundesbank's determination to keep interest rates high.

Some commentators are muttering that the 1930s are repeating themselves, with the big trading nations obsessed with their own problems and failing to take the concerted action needed to shake the world economy out of lethargy.

One fund manager who takes a gloomy view is Nils Taube, of Global Asset Management, who says: "I am more depressed than I was earlier this year. I am getting very suspicious of meltdowns in individual areas. We have already had the problems in Japan and we have pretty nearly had a meltdown in Italy."

"Deflationary forces are well in place", he adds. "If you measure it in D-mark terms, there has been a real shrinkage in world money supply." Taube is not too impressed by the authorities' ability to solve these problems. "When you had closed economies, it was easy to manipulate a domestic market", he says. "Now, with open economies, it takes concerted international action. Take the US, where reducing interest rates has proved to be like pouring water on sand."

Mark Holowesko, director of research at Templeton International, is worried about the impact of declines in the Japanese real estate market. "The Japanese real estate market was the biggest financial bubble in the history of the world. At its peak, the market was probably valued at between \$16 trillion and \$18 trillion. If it falls in half, that's a loss of \$8 trillion to \$9 trillion, more than the value of every stock market in the world."

Generally, however, Templeton has a stock-picking investment approach and Holowesko says: "We have an overexposure to the capital goods sector rather than consumer stocks. The consumer is not in good shape round the world but the capital goods sector should benefit from massive infrastructure spending, particularly in Asia. We particularly like US capital goods stocks because American capital goods companies still dominate worldwide markets and currently have the benefit of a low cost of capital."

In the UK, Knight says the problem has been sterling's position within the Exchange Rate Mechanism, which has caused the corporate sector considerable headaches. He fears that interest rates may rise. As for Europe, Knight feels it is "boring at best. The only hope is a bounceback from oversold positions while we are being strangled by tight German monetary policy."

Ken Ingilis, head of investment at Allied Dunbar, also has worries about Japan. "Japanese banks will need a lot of trading out of their current difficulties. There is a concern that they will repatriate foreign assets and one wouldn't want to be long on US treasury bonds if that happened." On Japanese equities, the price-earnings ratio is around 15 to 16, which is not cheap but is not too expensive either." Holowesko says Templeton has been increasing its exposure to the UK market. "Most UK investors take too short term a view of British companies", he says, focusing on the ability to pay dividends and neglecting the long term potential.

Nick Knight of Nomura thinks that the Japanese market can establish its floor at around 15,000 on the Nikkei index. "In general, we think there is considerable value in world share prices. We don't think there is a chance of a global meltdown. That only happens when people get over-enthusiastic and become overextended."

"Our only caveat is about the US, where we think share prices are tending to be overvalued, although that position could continue for some time. The UK market obviously needs the snuff of an interest rate cut to get it moving. But eventually traders will start looking at next year when German interest rates are going to come down."

## Serious Money

# The ghosts of depression

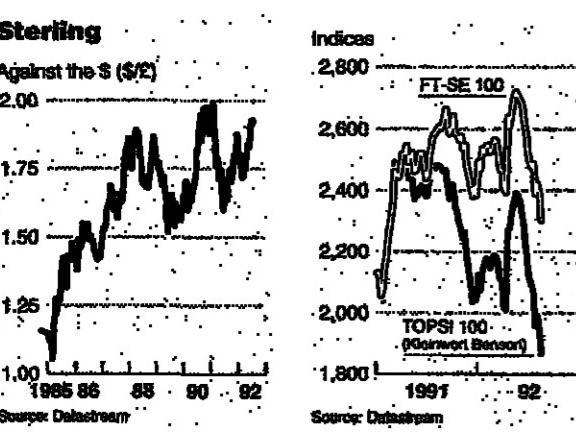
By Philip Coggan, Personal Finance Editor

The

## HIGHLIGHTS OF THE WEEK

	Price y/day	Change on week	1992 High	1992 Low
FT-SE 100 Index	2,356.8	+ 6.7	2,373.8	2,303.1
BAA	652	+ 34	703	531
BOC	620	+ 24	734	553
Barclays	295xd	- 20	410	285
Commercial Union	477	+ 47	513	402
Eurotunnel	380	+ 35	488	293
General Accident	440	+ 66	510	356
Gulbenk	507	- 23	644	485
Lasmo	147	+ 15	263	112
Queens Moat Houses	61	- 19	92	48.2
RTZ	525	- 30	669	469
Searle & Searle	158	+ 27	245	115
Sedgwick	147	- 18	240	139
Unified Biscuits	294	- 17	440	294
Williams Hedges	247	- 17	379	236

## AT A GLANCE



## Dollar slips to year-low

The dollar dipped to a new low for the year this week, when it fell to \$1.93 against £1 sterling in London on Thursday's close. The US Federal Reserve bank and other central banks intervened by buying dollars for D-marks on Tuesday to limit falls against the German currency.

Today's rate is a far cry from February 1985, when the dollar almost reached parity with sterling. It makes the US attractive for British holidaymakers, but those who want to speculate on a dollar recovery should note that US deposit accounts are paying a mere 3 per cent.

## Bottom marks for TOPSI

Kleinwort Benson's TOPSI-100 Index is made up of the 100 largest equities with historic yields over 120 per cent of the yield on the FT-All Share Index. In the past, high yielding shares have often been good performers – but not in the current recession. As the graph shows, the TOPSI Index has substantially lagged the FTSE-100 since the start of 1991. High yields normally indicate that the market believes a company will have difficulty maintaining its dividend, or even paying any dividend at all. In many cases over the past two years, market fears have been justified.

## Murray Johnstone splits fund

Murray Johnstone has split its Far Eastern fund into two, a Japan growth fund and a Pacific growth fund. Existing unitholders have been re-allocated units in both funds at a value equal to their previous single holding. The initial charge on both funds will be 1 per cent, and the annual management charge 1.5 per cent. However, until October 9, those Murray Far Eastern unitholders wishing to make further investments in either of the two funds will receive a 1 per cent discount. During the same period, holders of other Murray Johnstone unit trusts will get a 0.5 per cent discount on investments in either of the two new funds.

## Motor insurance offer

First European Finance Corporation is guaranteeing to replace your car under a new motor insurance plan. If your car is new and is stolen or written-off during the next three years, under "Cover Plus", you will be given a new replacement. The policy has to be taken out separately from the motor cover. "Cover Plus" costs £160 for new cars to give three years protection and £150 for cars aged between 5 months and three years. Further details from First European: Freephone 0800-333-678.

## Sun Alliance Bond reappears

Sun Alliance is again offering its Capital Protector Bond, a single premium investment bond with a capital back guarantee after the first four years. There are restrictions on income and surrender during the first four years and the cost of providing the protection will hold back growth on the bond if the stock market rises. Minimum investment is £5,000. Those who apply before September 15 will get an enhanced 101.5 per cent allocation of units – an extra 1 per cent is available to those who invest over £15,000.

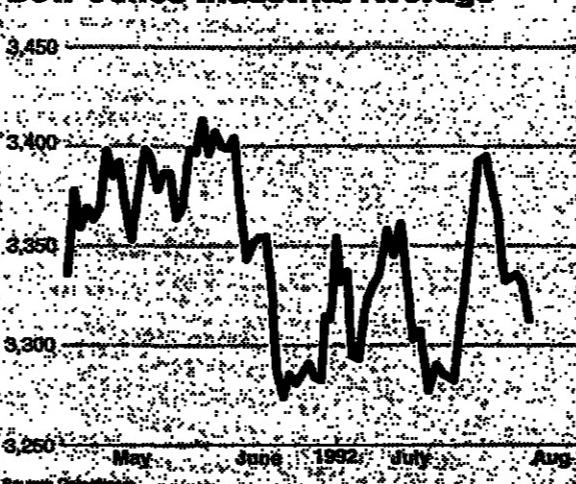
## Smaller companies still glum

The decline in smaller company shares has continued this week. The Hoare Govett Index (capital gains version) fell 3 per cent in the week to August 13, while the County Index also dropped 3 per cent over the same period.

## Wall Street

# Summer doldrums bring chill to New York

## Dow Jones Industrial Average



**T**HE SUMMER doldrums have arrived on Wall Street, even if New York's weather has done its best to throw everybody off their stride (temperatures actually fell into the 60s this week, prompting the reappearance of fur coats on Fifth Avenue).

Investors are staying away from the market, trading volume has slumped, and traders have had nothing better to do than tell new Dan Quayle jokes. (Question: What's the difference between Dan Quayle and the 30-year Treasury bond? Answer: The Treasury bond eventually matures.)

The same 30-year bond was centre stage for a while this week, after it plunged more than a point on Thursday, dragging an already wobbly stock market down with it. The trigger for the 30-year bond's sharp fall was some remarks made by James Baker, the outgoing Secretary of State and new chief of President Bush's re-election campaign.

Announcing his resignation at the State Department, Baker indicated that lower taxes should be a key element of the re-election campaign.

Investors are staying away from the market, trading volume has slumped, and traders have had nothing better to do than tell new Dan Quayle jokes. (Question: What's the difference between Dan Quayle and the 30-year Treasury bond? Answer: The Treasury bond eventually matures.)

The talk of deficit-widening fiscal policies could not have come at a worse time for bond dealers and investors, who were trying to digest the \$16 billion in new 30-year bonds the Treasury had auctioned off that afternoon. The subsequent plunge in bond prices set off a wave of computer sell programs on the stock markets as institutional investors shunned the sight of a sharp upturn in long-term bond rates.

There was an even more piquant response to Baker's comments in Chicago, where the Treasury bond futures pit went into a frenzy of selling, while on foreign exchange markets, the dollar also wobbled.

The sustained weakness in the dollar – which required two more rounds of concerted central bank intervention this week – has, in turn, been upsetting bond markets, which fear that there is no more room for further cuts in US interest rates.

The talk of deficit-widening fiscal policies could not have come at a worse time for bond dealers and investors, who were trying to digest the \$16 billion in new 30-year bonds the Treasury had auctioned off that afternoon. The subsequent plunge in bond prices set off a wave of computer sell programs on the stock markets as institutional investors shunned the sight of a sharp upturn in long-term bond rates.

They also have the added attraction of guaranteed dividend growth, at least for the next couple of years. The water industry is being asked to invest at least £50bn on water and sewage improvements during the decade. To fund that

which believe that a Democrat in the White House will be bad news for the economy, and even worse news for hopes of a lower deficit.

Thursday showed just how jittery US financial markets have become during this presidential election season. The big lead in the polls that Democratic nominee Governor Bill Clinton has built up (the latest puts the gap at 18 points) continues to worry the markets,

as the talk of a weather-related increase in utility use and a rebound in the mining sector following the early summer rail strike. Otherwise, manufacturing output was flat last month. The big drop in new jobless claims was also the result of a one-off factor.

The 0.6 per cent rise in retail sales, however, was announced alongside a big downward revision of the previous month's estimate of sales. Industrial production rose, but the gain was due almost entirely to a weather-related increase in utility use and a rebound in the mining sector following the early summer rail strike. Otherwise, manufacturing output was flat last month. The big drop in new jobless claims was also the result of a one-off factor.

The market was worried about its presentation in case he started getting tough on companies, as the gas and telephone regulators have done. In the end, he concentrated more on the costs of meeting tough environmental standards and scarcely addressed the more sensitive issues of pricing and profit.

Shares in Thames Water fell 7.5 per cent ahead of Byatt, before recovering nearly all the gains once the market realised it was a false alarm. Welsh Water, thought to be at risk from regulatory clampdown,

fell 5 per cent but then clawed back most of the losses. The sector index climbed nearly 4 per cent on Thursday alone.

This kind of market turbulence is likely to become chronic in the lead-up to the periodic review. Next month, Byatt releases his thoughts on last year's profits. Next February, companies will submit business plans to Ofwat. The regulator will then discuss, and by 1994 decide, price caps for each company. It will also decide effective rates of return on investment and suggest levels of borrowings. Companies' unregulated profits, made in new areas like waste management, will also be reviewed.

It is too early to say what effect the review will have on profits. But the regulatory regime is most likely to get tougher. Companies' margins, the amount they can raise prices ahead of inflation, are likely to be lowered when their interest bills will be rising to pay for new investment. Real dividend growth could fall from about 5 per cent to 1 per cent a year.

Some observers say potential bad news is reflected already in share prices. Others remain sceptical that markets detect uncertainty. Either way, and even if market fears are exaggerated, the sector looks to be heading towards a period of under-performance until these issues are resolved.

If so, the question is one of timing. In the short term, prices will be supported by general economic worries.

Investors who switch out of water when there is

## FINANCE AND THE FAMILY

# The up and down world of savings rates

*Investors have faced a rollercoaster ride in the past few weeks. Philip Coggan and Schcherazade Daneshkhu explain what is on offer*

**S**AVINGS CAN be given for being confused. Most UK financial institutions seem to be reducing rates at present.

Alliance & Leicester's rates on its instant Access account fell from 7.5 per cent gross to 7.3 per cent on £500 and from 8.4 per cent gross to 8.2 per cent on £25,000.

However, savers with £25,000 in Skipton's Sovereign Shares account saw an increase from 8.2 per cent gross to 8.6 per cent gross, although those with £500 saw no increase in the rate of 7.5 per cent gross.

Elsewhere, the highest rates are to be found on postal accounts. Investors are presented with withdrawal and paying-in slips and deal with the institution by first class post.

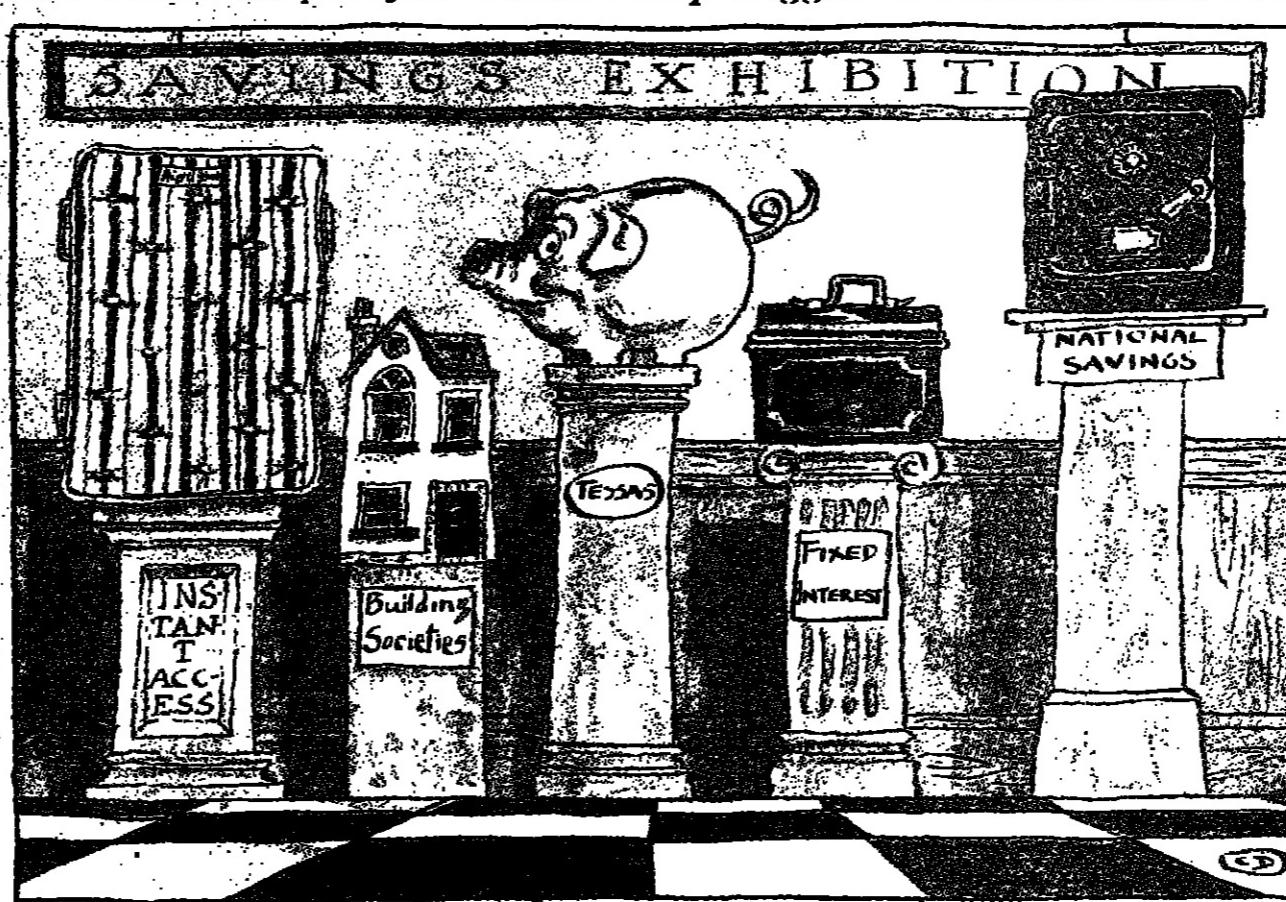
On £5,000, Moneyfacts (0822-562103) says the highest rates are being paid by Bristol & West on its Balmoral postal account, with 10.45 per cent. North of England's Edinburgh (postal) account pays 10.25 per cent, while the rate at Norwich & Peterborough on its Postmaster account is 10.05 per cent. You can get 10 per cent gross interest with Cheltenham & Gloucester's London (postal) share account and Scarcroft's First Post.

On £25,000, Bristol & West's Balmoral account pays 10.9 per cent, North of England's Edinburgh account pays 10.75 per cent, while the rate at Confederation bank is 10.25 per cent on its Liquidity account. Other high rates are available from Leeds & Holbeck (10.5 per cent) on its Albion postal account and Norwich & Peterborough (10.3 per cent) on the Postmaster account.

**■ Notice accounts**

On £5,000, only Allied Trust Bank beats the postal rates, paying 10.91 per cent on its three month notice account; Teachers building society, which is run from a single office in Dorset to help members of the teaching profession with their mortgages, is paying 10.4 per cent on its Minster 90 (a 90 day notice account).

The highest rates on £25,000 are from Allied Trust, 10.91 per cent; National Counties building society, paying 10.75 per cent on its 90 day notice account; City & Metropolitan building society, which offers "high net worth" customers



building society, Exeter bank, Julian Hodge bank and Greenwich building society are all paying 10.5 per cent gross. The first is a 60 day notice account, the others are 90 day accounts.

**■ Tessas**

Tax Exempt Special Savings Accounts are a five year commitment. Interest is paid tax free subject to the capital being left untouched for the full five years. The annual limits on deposits are £3,000 in the first year and £1,800 in the subsequent four years, subject to a £9,000 ceiling.

Apart from the headline rate, investors should consider other factors. These include the minimum investment required, the effect of bonuses and any penalties involved in transferring to another operator.

Remember that the worst that can happen if you withdraw capital from a Tessa is the present rate of 12 per cent.

that you pay tax on the interest and have to close the account. Since many Tessa rates are higher than savings accounts, the canny saver can open a Tessa even if they are unlikely to last the full five year term.

**■ Allied Trust**

Allied Trust Bank, which is owned by Barclays Bank, has been paying a consistently high rate, now of 12.68 per cent on its Premier Tessa. However, you need to provide the full £9,000 upfront - the annual limits are put into the Tessa and the rest earns 10.36 per cent gross in a feeder account.

National Counties has offered a consistently competitive rate since Tessas were launched. You have to put in the annual maximum to earn

the present rate of 12 per cent.

The notice period is 90 days.

**■ Cash Unit Trusts**

These offer money market

returns by investing in the

deposits of large banks. Rather

than paying interest to un-

holders, the value of the units

rises steadily as the fund accu-

mulates income.

Current gross rates range

between 3.5 and 9.9 per cent;

in net terms, this is between 7.125

and 7.275 per cent. An investor

who puts in £10,000 at the start

of the year would expect his

holding to be worth about

£10,720 at the end. Returns are

paid net of basic rate tax, but

non-taxpayers can reclaim the

tax. Most cash unit trusts have

no bid-offer spread; the only

charge is an annual manage-

ment charge which is deducted

before the quoted yield.

The advantage of such trusts

is that they are likely to offer a

return close to money market

and a capital loss.

rates. There is a slight risk of

loss of capital if a cash unit

trust invests in a bank which

fails, such as BCCI.

The best cash unit trust over

the year to August 1, according

to Micropal, was Prudential

Cash Haven with a net return

of 8.33 per cent.

**FIXED RATE PRODUCTS**

**■ Gills**

Gills are bonds issued by the

UK government. Most pay a

fixed rate of interest, with the

exception of index-linked

issues where the income rises

in line with the Retail Prices

index. Buying a gilt at current

prices allows you to lock in a

return of between 9 and 10 per

cent. If interest rates fall, you

will have an above-average

income and a modest capital

gain; but if rates rise, you will

have a below-average income

and a capital loss.

Most gills have a face value

of £100 and will be repaid at that

level (again, index-linked are

an exception; their repayment

value is linked to the RPI). So,

if you buy a gilt priced at

under £100 and hold it until it is

repaid (the maturity date), you

will be certain of a capital

gain. Profits on gills are

exempt from capital gains tax;

income tax is payable on the

interest for early closure or

transfer.

**■ Guaranteed income bonds**

Buying a GIB involves invest-

ing a lump sum with an insur-

ance company for a fixed

period, and in return being

paid a guaranteed rate of inter-

est. The original sum is

returned at the end of the

period.

**■ Basic rate income tax**

Higher rate taxpayers will normally

have to pay the extra 15 per

cent. The basic-rate tax cannot

be reclaimed, so GIBs are not

suitable for non-taxpayers.

Interest can be paid at monthly

intervals but the highest rates

tend to be on those paying

annual interest. The rate de-

pends on the amount invested

and the length of time the

capital is to be tied up,

usually one to five years.

Rates are tracked regularly

by Barroworth (081-518-1218).

The highest rates available on

£5,000 this week are: Acuma

7.15 per cent (one year);

General Portfolio 6.99 per cent

(two years); 7.15 per cent (three

years); and 7.31 per cent (four

years); and Samuel 7.6 per cent

(five years).

**■ Building societies**

Most building society fixed-rate

investments require a large

initial deposit but on £500 you

can get 10 per cent gross

interest from the Portman

building society on its one year

Fixed Interest Bond and the

same rate at National &

Provincial fixed until March 31

1992.

The highest rate on £5,000 is

from Cheltenham building society

which is paying 11.75 per cent

gross on its Premier Account

111, fixed until October 1. The

interest on Woolwich's Premium

Investment account is 10.2 per cent gross on £25,000

and 10.5 per cent gross on £50,000.

Both rates are fixed until

January 1.

es hopes  
rate cut  
hit by  
prospect

Down and down go  
the  
savers hit by  
more cuts

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Address \_\_\_\_\_

Postcode \_\_\_\_\_

Signature(s) \_\_\_\_\_

Please send me further details  PLEASE TICK

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**OUTRIGHT PURCHASE OR MAJORITY INVESTMENT.**

## FINANCE AND THE FAMILY

# Mortgage rates pressure eases

But the future for home loans looks uncertain, reports David Barchard

**M**ILLIONS OF property owners in the UK signed with relief this week on learning that the large building societies have not followed Skipton, the 14th biggest society, by putting up their home loan rates.

Skipton raised its mortgage interest rate from the industry standard of 10.75 per cent to 11.25 per cent on Tuesday, triggering fears of a more widespread increase.

Skipton has only 60,000 borrowers and the increase still leaves its rate slightly below most of the centralised lenders. Some small societies have, unnoticed, been charging this rate for several months. Nor is it the extra which Skipton customers have to pay particularly onerous - £165 a year on a £40,000 mortgage after tax relief, according to John Goodfellow, Skipton's chief executive.

However, Goodfellow expects other

societies to put their rates up before very much longer. "I simply do not believe it will be possible for them to sustain the present standard mortgage rate until the end of the year."

Goodfellow, and others in the mortgage industry, believe that there may well be a political upset before very long - possibly triggered by an event such as a French "no" vote in the referendum on the Maastricht Treaty - which will lead to a devaluation and a fall in interest rates.

The alarm seems to have reflected two underlying anxieties. One is that even a slight increase in mortgage rates would ruin any lingering chance of an early recovery in the property market, since it would come at precisely the time that stamp duty has been reimposed by the government on house purchases. The other problem is a gut fear among the public of a return to higher interest rates.

With inflation running at the lowest level in many years, the second dan-

ger is not immediate. Most economists argue that real interest rates are much too high and ought to fall rapidly. If that is the case, it may not be sensible to go for the fixed rate mortgages products which looked so attractive a year ago. Anyone now entering the housing market is less likely to need a cap against rates going back up to very high levels, than the ability to take advantage of a fall in rates.

That said, there are still plenty of fixed rates on the market. Long term fixed rates at below 10 per cent seem to be less abundant than many might wish, and the present crop of fixed rates will not look like a good idea if the day comes when the base rate falls to 6 or 7 per cent.

Cheltenham & Gloucester has withdrawn its two year fixed rate at 9.6 per cent and replaced it with a four year fix at 10.75 per cent. It is available for up to 80 per cent of value and is fully portable. The application fee is £250 and the early redemption

penalties amount to £250; repayment and interest only mortgages welcome.

Capital Home Loans is offering mortgages fixed at 10.25 per cent for either three years or five years. There is a £250 completion fee and compulsory building insurance. One attraction of this mortgage for the self-employed is that Capital Home Loans is temporarily accepting self-certification of income.

John Charcol, the leading specialist mortgage broker, has set up a reducing mortgage on which interest drops from 9.99 per cent (APR 11.6 per cent) to 8.99 per cent over the first six years of the loan. There is a fairly stiff £350 application fee. Customers who do not take Charcol's buildings and contents insurance pay an extra 0.25 per cent on their mortgage interest rate. There is a six months interest penalty for early redemption.

However, the week's most interesting mortgage deal comes from the Mortgage Corporation, the centralised Mortgage Corporation, the centralised

lender which has been taking a low profile in the market for most of this year. It is offering new customers £200 towards the cost of their legal fees; £200 towards valuation fees; free insurance against being gazumped; and a free deposit guarantee voucher worth £100. There is also a contribution of £300 to the costs of remortgaging. That said, the TMC mortgage rates are not so different from the rest of the market: 10.4 per cent (APR 11.3 per cent) for four years.

TMC has also set an example to other centralised lenders by lowering its standard variable rate to 10.99 per cent, bringing its APR of 11.5 per cent for existing customers in line with most building society rates.

Most surprising, it is offering a small discount as a bonus to existing customers who have a standard TMC mortgage and who have not missed a payment in three years. Such a bonus would have been unthinkable a few years ago.

## The Week Ahead

**M**ONDAY sees interim results from Argos, the catalogue retailer, from Friday onwards. Forecasts for the first half of the year is far less important than the Christmas trading period.

There are also costs and losses associated with the new furniture range between £3.6m and £3.5m pre-tax, against £10.7m last year.

Long awaited annual figures from Ratners, the jewellery retailer, are also expected some time this week. In January the group has made a series of statements about the figures for the year to February 1, which are expected to show a loss of £125m pre-tax after forecast exceptional costs relating to the reorganisation of stores and likely interest charges of around £27m.

More interesting will be reports of the group's talks with its bankers and, perhaps, news of a capital restructuring.

Soft insurance markets in the US and a weak dollar will have depressed earnings at Allianz and Willis Co., the UK's two biggest brokers, which report interim figures on Tuesday and Thursday respectively. Analysts expect pre-tax profits of between £50m and £60m at Willis, compared with £80m in 1991, while soft profit its could fall to between £25m and £35m, from £61m.

Rental Group, the environmental services and property care company, is expected to stay on course for a 20 per cent earnings increase which will be announced on Thursday. Forecasts are for about £63m compared with £42m last year. The company has more than offset the decline in property earnings.

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## Check those statements

Banks rush to calm customers after computer problems hit dealings with credit cards



**U**SERS OF credit cards should check their statements with particular care following news this week of glitches in the computers processing their accounts.

Those affected most are the 250,000 holders of National Westminster gold cards although problems also have been reported by users of Visa, Access and Mastercards issued by the Midland, Lloyds and the Royal Bank of Scotland.

Among the difficulties reported have been:

- Cards swallowed by cash machines.
- Cards refused authorisation when retailers request it.
- Wrong charges for late payment.
- Incorrect charges for interest.
- Delays in direct debits.
- Fees for non-existent cash advances.
- Incorrect amounts debited.
- Wrong transaction dates on statements.

The banks moved hastily this week to calm customers. Lloyds stressed that errors had affected only about 40 of its gold card clients and concerned direct debits which

were paid incorrectly. It said it had contacted all these customers to correct the errors.

Midland said it was aware of about 100 cases in which payments received against the bill for the previous month had not been shown on the most recent statement.

Royal Bank of Scotland said the errors it knew about totalled "well under three figures". These concerned cards not being authorised and the problems had been sorted out.

NatWest appears to have had far more trouble than the others. It said it was still unable to determine exactly how many customers had been affected but it considered the difficulties significant enough to send letters to all its gold card-holders.

It said most of these errors concerned relatively small amounts, such as fees for cash advances not made or late-payment fees where payments had been received.

NatWest also is sending a letter - which will be enclosed with their next statement - to every one of its other 4,750 card-holders explaining that incorrect transaction dates may be shown. The bank also

has stressed that no customer will be left out of pocket because of errors.

The problems were caused last month during conversion from one piece of computer software to another, more modern version by First Data Resources, which processes 10m credit card accounts from its centre in Basildon and Southend. Executives now are confident that the remaining problems have been ironed out.

### 'No customer will be left out of pocket'

The new software is designed to operate more quickly and is more secure. It also can offer a range of new facilities.

For example, card-providers now can supply statements to their customers with two columns for dates: the existing column, which shows the date on which money has been debited from the account; and a new column which shows the date on which the original transaction took place.

Gary Tobin, a senior vice-president at First Data Corporation, the parent of FDR, stresses that there are many stages at which problems with credit cards can arise. Often, these are not the fault of the computer processors, he adds.

Cards may be refused at cash machines because these have run out of money; and by either machines or retailers because a customer's credit limit has been reached. There can be faults with telephone equipment or with the computers used by the banks.

At least one positive element for the banks has come from all this week's negative publicity: persuading customers to look at their credit card and other bank statements more closely.

Royal Bank of Scotland says: "We would recommend customers at any time making a point of checking their statements against their vouchers. Actually, it is an anti-fraud measure against abuse."

Midland adds: "We would always advise people to check their statements for their own peace of mind."

Andrew Jack

## Interest blitz by Revenue

**N**ON-TAXPAYERS who have registered to receive their interest gross from banks and building societies should ensure that their income does not exceed their personal allowances.

The Inland Revenue expressed concern this week that a significant number of people who have registered are, in fact, taxpayers and will have to revert to receiving interest net of tax.

Since the gross interest scheme was introduced in April, an estimated 15m accounts - representing about 7m people - have been registered. To be eligible, their total income must be less than their personal allowances.

If it finds that someone has

made false declarations deliberately and knowingly, it will also be considering levying interest on the tax, fines of up to £3,000, and penalties up to the value of the tax not paid.

Anyone who believes they have registered wrongly should notify their tax office or write to Colin Gillibrand, Inland Revenue Claims Branch, Savings & Investments (SRI), St John's House, Merton Road, Bowdon, Merseyside, L65 9RS.

The Revenue is stressing that most who have registered probably have misinterpreted the regulations and have not attempted to defraud its inspectors. Those include:

■ Pensioners who may have forgotten to include their retirement pensions as part of their income.

A.J.

## Wise words on Lloyd's risks

**A**LTHOUGH profitability appears to be returning to Lloyd's of London, the risks for Names to know as much about the syndicates they are joining and the agent who will handle their affairs.

Three new publications should therefore be of interest to Names.

For the first time in its history, Lloyd's itself has published its own comprehensive statistical report on syndicate performance. *Limeight: Lloyd's syndicate results 1991*, a 600-page report, costs £20 and contains information on the breakdown of the separate classes of business written by syndicates which has not been previously

available.

The Association of Lloyd's Members (ALM, 16 St Mary at Hill, London EC3R 8EE) is upgrading its syndicate statistics. The ALM guide contains slightly less statistical information than Limeight, but it does offer commentary on syndicate performance and prospects.

The ALM has also published a new guide (*Lloyd's 1992 members Agents Profiles*) to the members' agency community at Lloyd's, which gives figures for the average returns obtained for Names by every members' agent and many

other details.

Both books, as well as the ALM's newsletters and other publications, are offered to ALM members as part of their £90 membership subscription.

Meanwhile, the next issue of Chater's *Lloyd's League Tables*, the longest-established guide to the market, is scheduled for publication next month.

The Society of Names (the Old Rectory, Adstock, Buckinghamshire MK12 2YH), also publishes its own syndicate guides.

Richard Lapper

## Tax chiefs act over Tessa trap

**W**HEN Deacon Hoare, the Bristol-based banking institution, was placed in liquidation on June 10, depositors with tax-exempt special savings accounts (Tessas) were left bewildered.

Most of the 200 depositors with Deacon Hoare had opened Tessas there, attracted by the exceptionally high interest rates being quoted - 15.87 per cent on February 9 1991, for example.

The next highest rate, out of more than 110 accounts on offer, was 15.5 per cent while the average at that time was below 14 per cent.

Tessas are covered by the Bank of England's deposit protection scheme, which ensures that depositors get compensation of up to 75 per cent of their account should that have accrued.

The problem is caused because interest on a Tessa is tax-free only if the capital is left untouched for the full five-year term.

Deacon Hoare was liquidated before that period, so the question arises: should investors be compensated for the interest that would have been earned had the Tessa run its normal course?

This question was asked by an FT reader who has been shuffled between the deposit protection board, Deacon Hoare, its liquidators, and another bank to which he hoped to transfer the Tessa. He had placed the maximum amounts allowable by depositing £2,000 in the first year of the Tessa and another £1,800 this year.

By the end of March this year, he noticed that Deacon Hoare had dropped the interest rate on its Tessas by more than 15 per cent, which pushed it below that paid by most institutions. When he tried to transfer his Tessa to another bank, he was told by Deacon Hoare he would have to wait a calendar month before he could do so.

By the time the cheque for £5,509.40 - including the accrued interest - was received by the other bank, Deacon Hoare had gone into liquidation, leaving our reader to belong to the new bank or building society.

The Revenue says this is because such a transfer would not involve any violation of the Tessa rules - an additional deposit to that allowed for the year is not being made.

It also says that investors with more than one account in a collapsed bank will have lost proportionately more than those holding a single account.

"We are trying to bend over backwards to be helpful," said the spokesman. "However, we do not think we can go further than this in the Tessa tax rules."

This is despite rules under

which Tessas are shown net

interest per share.

Names are shown net

Ahead

Mersey, the building products manufacturer which announced yesterday a fall in pre-tax profits of £1.5m to £23.5m to about £1m less than last year, should be acquired by a consortium of investors.

However, the company may have to go into a final payout.

Swindon Group, the environmental services and property

company, is expected to seek

an offer for a 20 per cent stake

in the business which will

then be sold to a third consortium.

Profit results will have been

environmental services, which is

now more than offset the

decline in property earnings.

Soft insurance markets in the

UK and Australia will have

depressed承保 rates, while

Carros, the UK's two biggest brokers which publish interim

results on Tuesday and Thursday

respectively, analysts expect pre-

tax profit of between £10m and

£15m. Willis, compared with

£10.5m last year, and

and better from £50m.

**IN SUMMARY**

**AND MERGERS**

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## PERSPECTIVES

# China's peasant traders shake off Mao's shadow

**A** THIN blue stream flows up the hill towards me. The tide grows stronger until by 9am it has become a torrent. Looking closely I can make out the different specks of blue which make up the flow. Some wear rush baskets on their backs, holding potatoes or tiny babies. Others wheel bicycles whose paniers overflow with produce. A few drag wooden carts, piled with home-made furniture, by hand. Others arrive by horse or ox-cart.

The lucky ones get a lift in a bus or on an "iron cow" tractor. The unlucky trudge up the hill with 30ft trunks of bamboo resting on their shoulders, or dance with bended knees as they struggle to keep their balance, weighed down by the loads which hang from their wooden shoulder-poles. Many have already been walking or cycling for three or four hours. Some even left their village homes the previous day.

This is Xingyi, a small market town of 40,000 in Guizhou province, south-west China. The town is surrounded by conical limestone mountains and by fields of rice, wheat and rape dotted with stone cottages. For six days in every week it goes quietly about its business, and the noisiest sound comes from the hillside cemetery when firecrackers signal a funeral. But on Sundays every inch of town is taken over by a noisy and colourful free-market. There are no arguments over Sunday trading here: Xingyi, at the meeting-point of three provinces, has been a centre of trade since the Ming dynasty.

I taught English at the teacher-training college for two years and

hardly missed a Sunday market. Outside the college gates, barbers set up shop with their collections of rusty bowls and instruments, bars of soap and thermoses of warm water spread out on a cloth. Old ladies squat behind piles of coriander and cabbage arranged on plastic sheets, while carpenters lie back in the wooden threshing-boxes which they have made and carried to market. Second-hand Army clothing is sold from rickety trestle-tables and a government worker gathers a crowd as he teaches the rudiments of pig-breeding with the aid of a loudhailer and a poster display.

All traffic has to admit defeat at the hands of the mass of pedlars and shoppers. Women sell eggs in the road from enormous baskets and cautious customers hold them up to the sun for inspection; peasants are almost obscured from view behind the mountains of dried red chillies which they are selling; incense-makers and chopstick-carvers and stonemasons and tea-sellers all ply a brisk trade.

At a street library, teenagers play a game - about a penny - to borrow a comic and flick through it as they perch on a wooden stool, while up the road a group of workers pay to stare in excitement through hand-held projectors at pictures of the sights in Beijing that they will never be able to afford to visit.

There is a man selling miniature orange trees, a cyclist with live frogs tied to his handlebars, a group of Miao nationality women selling hundreds of herbal remedies - bark, twigs, roots, leaves, bones - from tiny red pouches. They will even administer treatment on the spot with their grotesque and

ancient instruments. You can visit a street chiropodist or, worse still, a dentist who will extract your painful tooth using a drill attached to his motorbike throttle.

And so it goes on, a giant medieval street fair, story-tellers, quacks and all, with just the occasional incongruous intrusion of 20th-century life. In a seedy back room off the main square, shoppers watch the latest government video, a warning of the dangers of AIDS, advertised on the street by a hand-painted hoarding of a barely-clad

**Tony Kelly haggles with the market traders of Xingyi in south-west China**

white woman lying back seductively with a rose between her teeth. Road safety police play music and messages from a tape recorder and display photographs of mangled bicycles and bloody corpses.

More blood is on offer at the butchers' stalls where severed pigs' heads sit on tables beside ears, feet, intestines and bowls of lard swarmng with flies. You can have a chicken slaughtered and plucked while you wait, eat dog-meat straight from the cauldron or watch as your eels are slit open on a wooden board. You may have your watch or your trousers repaired, buy fresh lychees or watermelon, order a good luck message in calligraphy for your front door. You can buy embroidered baby-carriers and bamboo water-pipes and Taoist

tracts and T-shirts and kittens and crucifixes and sugared peanuts and rock hewn from the mountains and second-hand bicycles and bundles of toilet roll sold by the kilo and weighed on hand-held scales.

It all seems so natural, yet ten or 15 years earlier it could not have happened. Markets were condemned in China's Maoist years as an "incorrect" line in the incessant class struggle; the ownership of a duck or a potted plant was a suspect sign of capitalist behaviour. Now the hawkers are back and as you watch them peddling everything from piglets to plastic trinkets, it is hard to believe that things were ever different.

Making money comes readily to the Chinese, as Hong Kong so forcibly demonstrates. And in this era of economic reform, everyone - from the shoeshine boys at railway stations to the "model millionaires" who run computer companies - has become an entrepreneur. After all, you never know how long it will last. The freedom to become rich appears far more precious to the Chinese than a political freedom which they have never known, not even before Communism. Now they are allowed to do once more what they do best.

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A calligrapher paints a good-luck message in Xingyi market

■ Continued from Page I

had seen and heard. The rest of the day was spent wrangling with the four sets of censors - COHQ's and the three services - until a version of each reporter's account could be agreed.

Overall, the balance sheet read badly. The pictures taken by Holloway in the heat of the fighting in Pourville were lost. The much hoped-for film coverage was derisory: the British Movietone News cameraman had been aboard No. 3 Commando's leading gunboat, and his film amounted to little more than shots of the damaged boat and

wounded crew. But things could have been worse. By a stroke of luck, the only British newspaperman to land in France had seen the one phase of the raid that had gone according to plan. With a clear conscience, Austin was able to file a gritty story about No. 4 Commando's storming of Varengeville battery, and it was this - to the censors' relief - that was blazoned across every paper's front page when the story finally reached the

newsstands on Friday morning.

As the weeks passed, however, word got about that all had been faults in the planning - inadequate intelligence and a serious miscalculation of German strength - while poor communications, bad luck and bad timing had let the operation down. "Was it all worthwhile?" was the question asked by many.

Within months, three of the reporters present wrote books about

it - accounts which, although they gave more details than the first reports, remained faithful to the line that the raid was justified by the lessons it had taught. It was hardly the action of dogged seekers-after-truth who, having discharged their distasteful duty in reporting the raid to the authorities' satisfaction, might have been expected, thankfully, to lay the subject to rest. To be fair, the number of deaths had not at that time been released, so that the raid had not acquired the tragic aura it has today; but it is still surprising that Reburn, who had seen the very worst of the mayhem on Pourville beach, could open his book with an air of triumph and a sense of earned trust and privilege that were crucial to the official line.

The fact is that those reporters given access to front-line units did so accepting that they were part of the propaganda arm. By entering this accord, though, the media lost their objectivity - perhaps an inevitable

consequence of war.

At the end of the day - as one of their number, author John Steinbeck, put it - the correspondents of the Second World War were a "curious, crazy, yet responsible crew." For the sake of the war effort, and because the war against Hitler was considered a just one, they did what was required of them. Dieppe - where nearly 1,000 men were killed and 2,000 taken prisoner - showed how well the system worked.

■ Suzanne Bardgett is a special assistant on the directing staff of the Imperial War Museum, London.

## Dieppe: a disaster beyond words

wounded crew. But things could have been worse. By a stroke of luck, the only British newspaperman to land in France had seen the one phase of the raid that had gone according to plan. With a clear conscience, Austin was able to file a gritty story about No. 4 Commando's storming of Varengeville battery, and it was this - to the censors' relief - that was blazoned across every paper's front page when the story finally reached the

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## PROPERTY

# Lashings of Lutyens for country house buyers

**B**UYERS of Lutyens properties are spoilt for choice. Never before have so many works by England's greatest architect in country houses (Sir Edwin Lutyens, 1869-1944) been on the market.

In recent decades, one or two Lutyens properties came on to the market annually. But now at least 16 are on sale, and five more are being rented. These include his first country house, Crooksbury, near Tilford, Surrey - or at least the major portion of it.

The Tudor-style house, built in 1880, was later extended and then, in 1970, divided into six units, while the entrance Lodge and gardener's cottage were sold off separately.

Since then, a buyer of part of Crooksbury has pieced together four of the other parts and 15 acres of mature gardens, which were landscaped originally by Gertrude Jekyll. All this is now for sale at £1.25m through Aylesford (0171-351-2383). There is a prospect that the remaining parts of the main house might become available one day.

Two parts of another early Lutyens house in Surrey, also with Jekyll gardens, have come on to the

market. Chinturpurt Hill, near Wimborne, was built in 1885-86 and split into three in 1970.

Although the main part of the house is not for sale, a five-bedroom portion called Chase House is being offered with seven acres of £345,000 through Browns of Guildford (0483-311665), while the four-bedroom Gate House, with 4.5 acres, is priced at £230,000 by

house that Lutyens built in 1906 for stockbroker Sir George Munro Miller. It has 20 acres of gardens for which Jekyll's plans survive (in California). Offer over film are being sought by Hamptons at Sevenoaks (0783-460-222).

Mars Court, a Grade I Listed 20-bedroom Lutyens house near Stockbridge, Hampshire, with 47 acres of Jekyll gardens, has been on the

*Never before have so many been on the market; reports Michael Hanson*

Hamptons of Guildford (0483-572-864).

For a complete Lutyens house in Surrey, you have to look to Bulstrode House, near Knebworth. Built in 1896-99, it has been restored fully in recent years by John Morris of Therm-a-Stor, who is looking for offers over £2.5m for the property through Hamptons at Guildford.

Unfortunately, there is no evidence that Jekyll designed the 21 acres of beautiful gardens, although she might have advised Lutyens on the planting.

On the outskirts of East Grinstead, West Sussex, however, is Barton St Mary, an eight-bedroom

market for three years. It was built in 1901-04 for a flamboyant stockbroker, Herbert Johnson, who sold it in 1945.

Between January 1948 and 1989, it was run as a mixed preparatory school. The asking price has been cut recently from £2.75m to £1.5m by the joint agents, Savills (0202-887-311) and Knight Frank & Rutley (071-622-8171).

Nasham, near Burham, Buckinghamshire, is a 24-bedroom manor house built in 1906-09. It was converted into a Benedictine monastery in 1926 but has been empty since the monks sold it in 1987.

For sale with 17.5 acres of Jekyll gardens, offers of £1.5m are being sought by Hamptons Gidd & Gidd (0628-653-596) and Weatherall Green & Smith (071-465-5944). The agents are acting jointly for Arthur Andersen, the receiver of Land Leisure which had planned to turn the property into a health hydro.

Planning permission has been given for the Manor House at Ashby St Ledgers, Northamptonshire, to become a hotel with a new 120-bedroom extension. Once the home of Robert Catesby, one of Guy Fawkes' gunpowder plotters, it was bought in 1903 by Lord Wimborne. Lutyens then altered and extended the 13-bedroom house over the next 35 years. It has been owned since 1989 by a Kidderminster property company, Maltsworth (0562-668-844), which is seeking £2.5m for it.

Yet, £200,000 would buy Gladstone Hall near Skipton, North Yorkshire, which is regarded generally as one of Lutyens' finest classical houses with 10 acres of formal gardens by Jekyll. Built in 1922-25 for a cotton mill-owner, Sir Amos Nelson, it was run as a nursing home by Burley Health Care until March this year, and is now for sale through the Leeds office of Knight



Barton St Mary, near East Grinstead in Sussex, built by Lutyens in 1906, is for sale at around £1m

Frank & Rutley (0332-572-533) and J.H. Jackson & Co. (0423-323-171).

The cheapest genuine Lutyens house on the market (there are always some claimed wrongly to be by the master) is the four-bedroom South Sussex Lodge, one of a pair designed by him in 1891 at the entrance to the Park Hatch estate near Hascombe, Surrey. Both lodges were paid for with prize

money won by Joseph Godman for his Sussex cattle - a staggering thought when one lodge is now for sale at £178,500 by Hamptons Messenger May of Godalming (0483-417-222).

There is no room to mention all the other Lutyens houses on the market but it should not be thought they are unsaleable. A buyer has paid almost £1m for the

cause for wild optimism. "Volume is fairly low across the market and vendors have to encourage interest. Prices, more than ever, have to be realistic."

For those seeking it, though, there is perhaps a little good news, even if it is open to interpretation.

Knight Frank & Rutley International has seen an increase recently in overseas interest in the upper levels of the market, notably in Stanmore Priory in Charlton Musgrave, on offer at £1.6m.

According to Michael de Pelet, of the Sherborne office, inquiries on this and other properties - such as Burford House at Pilton, available at £375,000 - have come from as far afield as Hong Kong and the Cayman Islands.

If you accept that investors from such places are well practised in using their money to the greatest effect, it could just be a sign that the UK market really has bottomed out.

## Price slump savages West Country

*But John Worrall discovers that it's not all gloom, doom and inertia in deepest Somerset*

detached houses are moving and the retirement market has also reawakened over the past three or four months, with some inward movement notably from West Midlands and the Home Counties."

But at Castle Cary in the central east of the county, 90 minutes from London by rail, agent Sue Bradley Hudson says houses costing between £100,000 and £130,000 are selling best. "Part of the problem is that some properties are offered at too high a price in the first place and then have to be reduced. Buyers, having seen many reductions, become reluctant to sign a contract in case they see a better deal next week."

At Ilminster, in the south of the county - a stopping-off point for holiday-makers heading for Devon and Cornwall - Andrew Hale of agent Lawrence Hale says about half of the buyers this year have come from outside the area. "There has been a rise in activity insofar as we have been selling more than we have been taking on since the election. That has led to certain shortages. Cottage properties up to, say,

"In 1988, we could sell a one-bedroom house at £26,000-30,000 but we would be hard pressed to achieve £30,000 today," Hale adds. Semi-detached houses are the same, down from perhaps £75,000 then to £50,000 now."

At the higher levels there is, if

anything, even more inertia and some appropriately brave faces. Robin Thomas, from the Exeter office of Strutt & Parker, says prices are down by 45-50 per cent from their peak of late 1988 and early 1989.

According to agent Michael Waite, of Sherborne, cash buyers are being cautious in a soft market. He is, however, getting strong interest in Heale House, a nine-bedroom property set in nine acres at Curry Rivel to the east of Taunton which is available at a guide price of £430,000. Part of the house dates from 1620 and, he says, a number of inquiries have come from the Home Counties.

A similar pattern of inquiries is reported by Strutt & Parker for Ilminster market starts at £25,000 for a studio or one-bedroom flat and most activity is centred on sales at less than £80,000.

Second-home buyers looking for small cottages can get particularly good value, with two bedrooms available at not much above £100,000 and good bungalows are extremely scarce.

"The problem is that although some people want to trade down and raise some capital, they feel that they might pocket more money when the differential is greater.

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## PERSPECTIVES

# A heavyweight of the Basque stones

**T**HE BASQUE pavement artists draw just one living person. Not a politician or pop star. Nor Basque Miguel Indurain, winner of cycling's Tour de France in 1991 and 1992. The immensely powerful figure that looms between the religious scenes and Mona Lisas is that of another Basque, Inaki Perurena, holder of the world's most outstanding lifting records.

Perurena lifts in the Basque style and is therefore comparatively little known internationally, but the style of lifting — raising traditional, carefully cut stones from the ground to the shoulder with most competitions decided by repetitions in a tight time schedule — is no way less than Perurena's achievements.

Basque lifting is a demanding, ancient sport, much older than orthodox weightlifting, closely supervised and widely followed; in summer, 50 and more competitions can take place on the same day.

Perurena's achievements stretch credibility: supreme records, unbeatable for 15 years and for nearly as long, as a direct result of his dominance, without direct competition; one of the few both to have dominated a sport and to have revolutionised its technique and training.

What puts Perurena ahead of Indurain is the fact that he has given more than 5,000 demonstrations, sometimes two or three a day, in just about every Basque town and village (as well as in the US, Argentina, Japan, France, Germany and Italy), usually as the highlight of a programme of Basque traditional sports.

Perurena is a modest, at times, almost shy man, but well aware of his achievements. He is serious-faced, but with a deep chuckle never far away. He can show exasperation,

but has the Basque's approachability. He has a rapport with his fellow Basques and is as instantly recognised and admired — in the remotest hamlet as he is in the docks of Bilbao or the elegance of San Sebastian.

The first adjective that came to mind when I saw Perurena was "non-effusive". (Basques in repose tend to be non-effusive). I watched Perurena arrive at a meeting in a well-used van, a powerful but not massive man (he does not begin to look his 134 kilos), then stand

**David Henderson on**  
**Inaki Perurena,**  
**superstar of an**  
**ancient sport**

talking to his driver, unsmiling. The second adjective was cat-like. He walked from the van towards a group of other competitors, then grinned and suddenly leapt a pile of logs to join them.

Perurena's power needs time to sink in. His two-handed record for the rectangular stone (from the ground to the shoulder) is 315 kilograms, more than half the weight of a small van. His one-handed record is 263kg.

When the American powerlifter Dwayne Selby bench pressed 300kg and the Belarusian weightlifter Leonid Tarasenko — the silver medalist in the superheavyweight class in Barcelona — clean and jerked 266kg for world records in their disciplines, they each made the lifts once. When Inaki Perurena first lifted 300 kilos he raised the stone three times in the allotted four minutes. Had his third lift not

almost sent the stone clean over his shoulder he would have achieved a fourth repetition. Only supreme strength and skill saved him from serious injury.

Perurena met with reserve when he decided that a lifting technique used for over 200 years was unsatisfactory, and changed it. He also adapted the weight training methods of orthodox lifters. Until then, Basque lifters had trained principally on hill walking and hearty eating. More weight, so they reckoned, equalled more power.

Perurena is not perfect (and would hate to be portrayed as such). Among other things, he is not king of the small stones — in Basque lifting, stones up to 200 kilos are classified, with deadpan nonchalance, as small. He is also less than perfect at subtlety.

His strong-willed father, once a top aizkolar (log cutter with an axe) wanted Inaki to follow in his footsteps. Inaki wanted to be a lifter. For a while Perurena cut logs by day and lifted by night. Inevitably he was caught. His love affair with his wife, Mayte, almost never started. She was not certain that she wanted a flashy (as she then saw him) sportsman husband. Her parents were certain that they did not want such a son-in-law. When Perurena finally persuaded Mayte to meet him in a neighbouring village they were seen in within minutes.

Perurena learned about gamesmanship the hard way. Early in his career, he accepted a challenge match, the hard edge of Basque traditional sport, went into strict training, and just happened to meet a member of the other camp in his favourite bar. "Our man thinks he can beat you without training. He's drinking too much. I've lost money I haven't got", was the morose mea-

sage. Perurena also began to spend more time in bars. When he arrived for the match he found an opponent in peak condition; and lost.

For someone who has given over 5,000 demonstrations, Perurena's firm, "I am not a professional," at first seems illogical. He earns a good living from his exhibitions. He could, though, make a lot more. But he has never had to lift to live. Years ago he opened a butcher's shop as insurance against sickness or injury, then added an equally successful livestock business.

Perurena is 33, he will continue to give demonstrations, but an era has ended. "A man cannot break

records for ever", is how he recently acknowledged that commitments elsewhere mean that he can no longer undertake the training necessary to attack his own records.

One wonders if Perurena is not secretly glad to have escaped the treadmill of expectation that 15 years of record breaking have created. He is unlikely to say, but his reputation, his near immortality in the Basque country was assured long ago. Indurain can continue to outlive everybody else. But for the foreseeable future, the shrewd art of Basque art will continue to draw just the one living person. It is a

## What They Say in Europe

# War and peace

**N**EW CRIMES create new reputations, yet old images take time to fade. The *Berliner Zeitung* was thinking along these lines in looking at the ramifications of the Bosnian crisis.

"The cliché of the ugly German is widespread among other peoples. It has, unfortunately, been formed by the experience our neighbours have had of us. But one sits up and listens when, almost overnight, the leaders of opinion in the US — where mistrust runs deep because of the holocaust — point to Germany as the example to follow. One rejoices all the more because the metamorphosis of the German image is linked to a humanitarian question, the Bosnian refugee tragedy."

The *BZ* had no great hopes that the new image would prove durable. On the other hand the Serbs will have problems in overcoming their new reputation. People like myself who had worked in Serbia before the present horrors usually found the natives a cheery bunch with whom one could enjoy a few laughs and more than a few drinks. Today they are known as the originators of "ethnic cleansing". This ghastly euphemism translates into every known language and has helped ensure that no cartoonist can attempt a picture of a Serb without making him a wild-eyed fanatic.

As a result history is being revised: references to Sarajevo naturally recall that that was where the First World War started; today the implication is that the Serbs started it — but then Serbia never had much of an image anyway.

Reputations have become fantastically volatile. Until recently in much of Europe, the average Spaniard was seen as a feckless poseur, either attempting to entertain the foreign ladies who astound on local

shores or a well-born layabout who can hardly afford a shirt but always sports a flashy cloak.

Today, after the Olympics, Spaniards, or do I mean Catalans, are seen in a different light — purveyors of efficiency with a human face. The Italians have revised their opinion in *Corriere della Sera*. Cesare Fiumi unwittingly reworked the traditional Spanish toast — health, money and love! — "Presto, practice, preparations. Spain in three words." The *Frankfurter Allgemeine Zeitung*, exclaimed, "The city of Barcelona is the great victor of these Games." The French sports paper, *L'Equipe* was more cautious: "It may well be that one of the great victors of these Games is called Spain."

The previous week *France-Soir* had paid the ultimate compliment — the record haul of French medals could be attributed to the hosts and was a contrast with French failures at Seoul. "Now, near to their base, in a familiar country, the family at hand, the frontier nearby, with no time change, their minds not elsewhere — the French competitors can concentrate on their objectives and refine their preparations. On the evidence, the Barcelona Games inspire them. The food there is abundant and appetising, there is a cheerful organisation supplying just enough of those snags one needs to feel in a human environment. In fact the French hate being taken for foreigners. They need their comforts to feel at home."

So, by the time it was all over the Spaniards knew they had won. The headline in *El País* was: "Barcelona ends the 'best games in history' with 22 Spanish medals."

**James Morgan**

■ James Morgan is the diplomatic correspondent of the BBC World Service.



Rock star: Inaki Perurena has lifted stones weighing 315kg

## FOOD

## Cookery/Philippa Davenport

## All white on the night

**S**UMMER brings its own problems for the cook. The sun shines and menus cruise merrily on a greedy wave of simple foods sauced with such classics as mayonnaise, hollandaise and avgolemono, before you wake up to the fact that the fridge is filling up with leftover egg whites.

Why is it, I wonder, that the discovery of them acts as an instant memory wipe? The mind goes as blank as a computer screen when the electricity is cut. All that's left is a collection of recipes that use more egg whites than yolks is deleted, and the cook is left grappling feebly with the temptation to chuck all that slippery albumen down the sink.

For such occasions here is an aide memoire to pin on to the kitchen noticeboard, a reminder of a few good ways to employ a leftover egg white —

souffle contains, the higher it towers.

## ANGELCAKE

This looks very pretty lightly dusted with icing sugar and garlanded with sweet geranium leaves. Serve with it a bowl piled high with fresh berries and a sauce jug of sieved and lightly sweetened berry puree — say a mixture of blackberries and blueberries, or mulberries when they come into season. A featherlight angelcake depends on handling the ingredients very lightly and quickly.

1 oz cornflour; 3 oz plain flour; a good pinch of salt; 10 egg whites; ½ lb vanilla or caster sugar; the finely grated zest of 3 oranges; 1 tablespoon lemon juice; 1 tablespoon hot water; 1 teaspoon cream of tartar.

You will need an angelcake pan\* or similar mould about 8½ in diameter across the base, 10 in across the top and 4 in deep with a central funnel and removable base. Be sure it is absolutely greaseless.

Sift both flours into a bowl. Add the salt and about one-third of the sugar and sift the combined ingredients at least twice more, lifting the sieve high above the bowl to aerate the mixture as much as possible.

Divide the egg whites, lemon juice and water between your two largest mixing bowls. Whisk the contents of one until foamy, add half the cream of tartar and whisk again until the egg whites stand in stiff peaks. Use a balloon or rotary whisk, not an electric one, for maximum volume. Whisk the contents of the second bowl in the same way, then tip the contents of the first bowl into the second.

Sift and whisk in the remaining sugar, a spoonful at a time, adding the citrus zest at the end. Then sift and fold in the flour mixture delicately yet thoroughly, a little at a time.

Turn the mixture into the mould. Draw a knife through the mixture to release any air pockets, and level the surface. Bake at 350°F (180°C) gas mark 4 for 45 minutes or until the surface of the cake feels firm and springs back when lightly pressed.

Invert the tin on to a cooling rack and leave for 1½ hours or until the cake is completely cold before lifting off the mould.

\*Angelcake pans are usually available from Copperstones, 42a High Street, Marlborough, Wilts SN8 1HQ (tel: 0672-512560). This enterprising kitchenware shop hires out, as well as sells, a good selection of specialist cookware including raised pie moulds, fish kettles and cake tins. Mail order available.



Richard Lord in the Fulton Fish Market, New York

## New York greets a dab hand with fish

**Nicholas Lander meets expat Englishman Richard Lord, a true fan of all things piscine**

**W**HEN New Yorkers finally appreciate the pleasures of eating fresh fish, and when most of the world's 23,000 different species of fish are classified for their taste as well as their bone structure, a big vote of thanks will be due to Englishman Richard Lord and his encounter with an article in the *Financial Times*.

Lord, now 33, recalls the occasion. Driving on holiday to Cornwall — parents in the front, children, bored, in the back — Lord handed his son an article on aquaculture telling him flippantly that it might provide him with a future.

Lord junior was hooked. At school he did a field project on aquaculture and spent his summer holidays working on a trout farm. When his mother, Shirley Lord, moved to America to work, Lord turned his attention to the waters off Alaska and then enrolled on the fisheries programme at Humboldt State University in northern California.

He confesses to not having been the university's best student but Lord's enthusiasm and love of fish, as well as a phenomenal memory for fish minutiae, may prove even more valuable. During the two hours I spent listening to him, facts never stopped. Did I know that there are 385 species of grouper? That the butterfish, particularly prized among the West Indian community, passes through three colour phases in its life (from red to yellow to brown), or that the male parrot fish is an hermaphrodite?

Lord knows the answers because, after leaving California, he moved to New York and became information officer for the Fulton Fish Market, New York's biggest and oldest. He worked with importers and wholesalers, with the Chinese, Koreans and Japanese who buy for their shops and restaurants, and with those of Indian, Spanish and South American origin who buy fish in a big way to eat at home.

Wholesalers would acknowledge his expertise and come to him with unusual fish. Only the salary, \$13,000 (£6,800) per annum, brought this enjoyable episode to a close. Lord is now hoping to produce an encyclopedia of seafood.

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Lord's eye for detail has proved successful. As we shared a taxicab downtown he spotted a van, delivering fish to a New York restaurant. Within seconds his pen and notebook were out taking their details.

Museum of Natural History. Not part of any fish is wasted.

Being in New York has been a great advantage, says Lord. The city's cosmopolitan nature, high standard of living and its citizens' willingness to pay high prices for top quality fish have made his work interesting. So, too, has New York's geographical position.

Whereas the top fish markets of Europe — Paris, Madrid and London — draw stock from Mediterranean and Atlantic waters and increasingly from those around Africa, New York draws its fish from Canada, the Pacific and from South America.

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064-41414. For George and Rosemary Jackson of Mermaid Fish Supplies on North Uist, tel: 08764-209, fax: 08764-323. Sevruga sturgeon may be obtained from Princesse d'Islebourg, et Cie, tel: 081-360-5600, fax: 081-956-3332. Bibendum is at 31 Fulham Road, London SW3, tel: 071-581-5817, a restaurant and seafood bar open all week.

Marks & Spencer is selling Irish Smoked Salmon at £2.75 per five-slice pack.

## Smoke over the Irish sea

achieve a saleable weight of 3.5 kilos in just under 14 months. These waters are also some of the least polluted in Europe. As with the better farms on Shetland the salmon live far out to sea and inhabit spacious pens to give them a semblance of life before death.

Irish salmon is far less well known in Britain than its Scottish equivalent. Exports go chiefly to France, America, Germany and Spain. This must be, to some extent, a result of an inbuilt prejudice on the part of the British consumer as the fish can be quite magnificent. I well remember my own first experience of Irish smoked salmon in the Champagne Bar at the Curragh race-course. At the time I thought it was the best I had ever eaten.

The Curragh salmon was probably a wild fish. I recall its irregular texture and the presence of the occasional blood clot. Both these factors now count as faults in salmon. Idiosyncrasies in the flesh relegate the fish to the pâté manufacturers: the fish are

systematically bled, although most knowledgeable people in the restaurant business admit that the blood contributed massively to the flavour.

Pretty patterned flesh is not the sole prejudice which currently graws at the quality of smoked salmon. The need to smoke and salt with this modern cure we now experience far more of the flavour of the fish.

Smoked salmon has long since ceased to be a luxury food, and this is very largely as a result of the mad enthusiasm to create fish farms which has affected all the more remote corners of the British Isles. Many of these I feel will come to grief as the prices for salmon are now at rock bottom, with the margins all being made by the middle men. Stylistic uniformity is also a problem: one is beginning to regret the passing of the old fashioned cures which used to abound in certain places, notably in the East End of London.

One highly individual salmon I experienced recently was introduced to me by my sister. The fish comes from

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## TRAVEL

# Brought down to size in a forest of giants

**I**FELT like the incredible shrinking woman when I entered the karri forest near Manjimup in the south-west corner of Western Australia. These eucalypts are colossal. When entire forests assume twice usual size you get the unsettling impression that that is the norm, and that it is you that has dwindled. The South Western Highway becomes the aisle of a cathedral landscape, with vast columnar trunks zooming up to a fast vaulting of branches that admit great shafts of sunlight.

Quality hardwoods such as karri and jarrah are the staple of this region's timber trade. "Those," said one resident bitterly, showing me mountains of woodships on the dock at Bunbury, "are our forests."

To visitors' eyes, however, there seems to be plenty of forest left. At one end of the industry is Buntings, the timber and hardware store giant whose name above the sawmill seems to proclaim dominion over Pemberton town. At the other end is a man I met happy and dusty in a pile of shavings, who emphasises with his craft and his environment and does not seem held-back on making a fast buck.

With a studio home on the forest doorstep overlooking Pemberton and a garden full of chickens and vegetables, the life of Peter Kovacsy, a woodcarver and turner, seems to epitomise the Perth city-dweller's rural dream.

But Kovacsy understands hard work and professionalism. He is a perfectionist. He also respects the source that supplies him. He uses mostly waste wood salvaged from the forest floor to produce the highest quality bowls, boxes and furniture. Jarrah is an especially beautiful native wood, being rich red.

Kovacsy transforms burls - basically, huge clotted deformities of the tree - sculpting them into abstract "forest free-forms," or slicing them into table-tops revealing chaotic whorls and chinks of daylight. His woodcraft is visual, tactile and fragrant, from the workshop tang of green timber to the perfume of a finished sandalwood bracelet.

Reaching the Karri Valley Resort too late to appreciate anything but frogs yodeling somewhere beneath the floor, I discovered next morning that my room was perched on stilts above a trout lake (trout farming began around Pemberton in the

1930s). Across the water, huge trees cast ribcage reflections. Through Beedelup National Park spangled blue fairy wreaths crossed my path and scarves of gum bark floated down.

I decided I could not improve upon the serenity by joining the resort's games, organised for Australia Day, which included the "pic and sauce throw" and "pin the thong on the yobbo." Thongs here are not g-strings but sandals of the type the Brits call flip-flops - regulation footwear for that archetypal Aussie yobbo, the rocker.

I did not scale Pemberton's Gloucester Tree, either, due to cow-

like a waterfall. From Augusta towards Margaret River you re-enter karri country with an under-storey of peppermint trees.

Parallel with the coast and Bushell Highway, the much quieter Caves Road gives access to suburban stalactite extravaganzas like Jewel Cave and small bright white beaches some deserted even on the year's busiest weekend. Margaret River's Prevelly Park is popular, however, particularly with surfers.

Surfer Jack, 18, gave me a crash introduction to his sub-culture. Second to surfing he listed his pleasures as doing sadistic things with fish-hooks to marauding gulls; abus-

ing 1960s purely on theoretical advice, after an agronomist found that the total annual sunshine compared favourably with Bordeaux. Soon, Margaret River was producing award-winning premium wines.

I began tasting at 10am. Seven wineries later, I wished I had the constraint to spit in the bucket from the outset. The sun became soporific and dead kangaroos by the roadside began to look snuggly and cuddlesome, like furry animal pyjama-cases.

Every winery has its own atmosphere. Many are small, family concerns crushing less than 100 tonnes of grapes a year. Some, such as Ribbon Vale, are basic and unadorned, using nothing but the fine quality of the wine to lure visitors. Others enhance their individuality with additional attractions.

Happ's Misty Ridge houses a pottery in its mud-brick buildings; Brookland Valley vineyard has a gallery devoted to wine arts and limited edition prints celebrating everything from the grape itself to Bacchus. Leeuwin Estate takes its association with the arts even further. A 1988 open-air performance by the London Philharmonic Orchestra was the first annual Leeuwin Concert on the lawns above Boondjidup Brook. Leeuwin Estate also has an impressive collection of contemporary art, comprising many leading Australian painters; all the paintings have featured on Leeuwin's "Art Series" bottles.

The art of the wine label seems a microcosm of the whole south-west - a fat, fertile, creative region which satisfies both the gastronome and the aesthete.

■ The south-west tip's Mediterranean climate is ideal for those who find summer elsewhere in Western Australia too hot. Karri Valley Resort is central for exploring Pemberton and much of the south coast. Its log cabins have wood stoves - axes are provided; you chop your own wood - but no radio or TV, so you can forget the world.

In Pemberton, Peter Kovacsy runs workshops for beginners or professionals wishing to improve their woodcraft. About 30 Margaret River wineries are open to the public.

Further Information: Western Australian Tourism Commission, 115 Strand, London WC2R 0AJ, tel: 071-240-2881, fax: 071-379-3826.

**Julia Berney marvels at the soaring treescape of west Australia**

ardice. At 60 metres this spiraling karri is the world's tallest fire lookout tree. Spotter planes have made most watchtowers redundant. Winter rainfall here is substantial - many towns' names end in "up," the Aboriginal word for water - yet summer desiccates the forest dangerously. I passed minor bushfires near Nannup; a week later serious blazes occurred throughout the south-west.

Yet the native flora has evolved with fire as part of its natural cycle; as a result, eucalypts regenerate from charred wood with defiance speed. In Walpole's Valley of Giants, one single tree has a gutted trunk so big that people used to park cars inside it until soil erosion necessitated fencing it. Healthy leaves still crown the empty hulk.

Even a lighthouse can cause bushfire. Rather as you focus sun through a magnifying glass to burn the back of somebody's neck, so Cape Leeuwin's lighthouse lens could ignite coastal scrub by reflection - if it was not curtained by day. Cape Leeuwin, near Augusta, is where the Southern and Indian Oceans collide across reefs. On the beach stands a petrified water-wheel.

From Nannup to Augusta the forest gradually resumes normal proportions, with yellow bell banksia and she-oak that sighs in the wind.

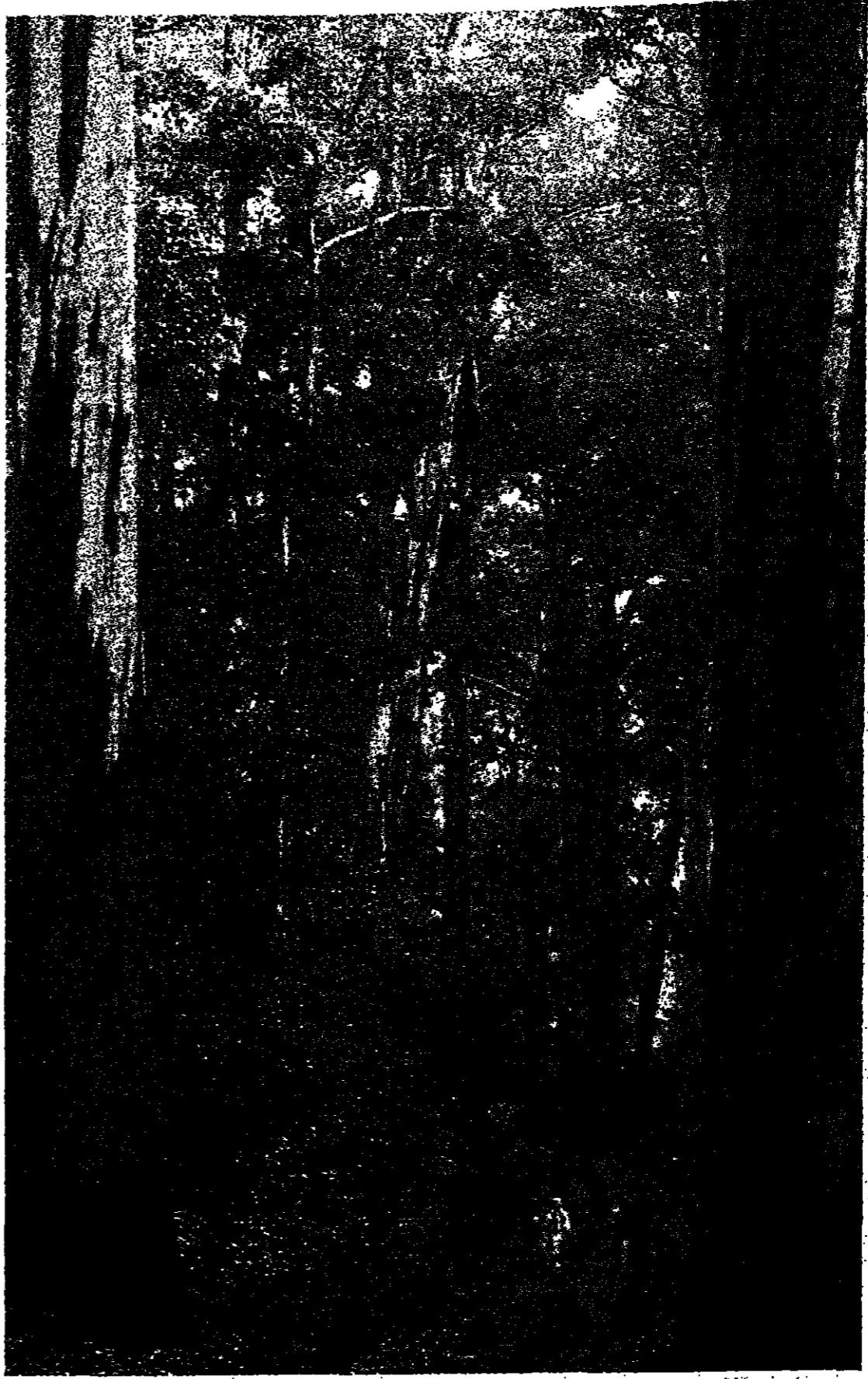
Viticulture was established in the

ingluar-clad novice surfers: peeling in his wet-suit in the cold Margaret surf; smoking dope and generally getting wasted." Illegal marijuana plantations flourish in the green south-west. The curative properties of salt water, Jack reckoned, combat the results of excessive hooch.

Margaret River is where excess, or at least indulgence, beckons everywhere: you need lots of pocket-money and no self-discipline. Good restaurants, coffee-houses and galleries hide in the middle of the bush with only a discreet signpost inviting you down gravel tracks. Discovering Boranup Gallery, a rammed-earth construction full of ceramics, furniture and paintings, deep in the forest off Caves Road, is literally a treasure-hunt.

There are berry farms, stonefruit orchards, cheese factories and hatcheries for indigenous freshwater crayfish. But it is the wineries that really dominate the area.

Viticulture was established in the



Karri forest: the enormous eucalypts have learned to live with fire and grow with defiance speed

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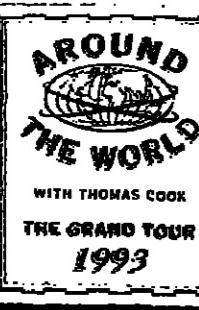
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Photo Courtesy of Bermuda Tourism

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Saturday, 17 October - Depart London (Gatwick) at 1500hrs. Arrive  
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Sunday 18 October - Visit Camden, the Premier's Official Residence  
followed by a cocktail reception hosted by the Premier, the Hon. Sir John  
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Monday 19 October - Financial Times Golf Day at Port Royal Golf Course.  
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Tuesday 20 October - Day free. BA flight 232 departs Bermuda at 2200hrs  
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## SPORT AND MOTORING

Golf

## Reading the greens: how Faldo does his course work

**I**F YOU can tell a man by the books he reads, then you can tell a golfer by the way he prepares for a championship. Practice rounds are regarded by most professional golfers as a time for low-jokes and high stakes, a bit of light relief before the action begins. If your name is Nick Faldo, however, you prepare painstakingly, leaving nothing to chance.

It was hot in St Louis on Tuesday as Faldo set out on his third practice round prior to this week's US PGA championship, though he did not have to contend with the searing humidity of the two previous days when temperatures approached 100°F and humidity was as high.

Nevertheless, in the locker room Faldo coated his face and forearms with sun screen, munched an apple and placed a banana and several bottles of water in his bag.

"I want to prepare so thoroughly that when I lie in bed I can visualise every hole, every shot I am likely to have to play, every putt, every undulation in a green," Faldo told me as he practised for the 1981 Open at Royal St George's.

In St Louis this week it was not at all the same. "This course is easy to the point of being boring," said Faldo.

"There is no element of a links course here at all. There is no wind to take into consideration. It's just a matter of hitting from the tee to the fairway, from the fairway to the green."

Deane Beman, now boss of the American pro tour, was one of the first to start measuring distances by mechanical instead of visual means. In the early 1980s, Jack Nicklaus noticed what Beman was doing, copied it - and refined it to a black art. Soon every pro used mechanical aids to measure distances and Bernhard Langer even went so far as to measure with two wheels, one in yards, the other in metres.

Watching Faldo at practice this

week was like watching a carver whittling away at a block of wood. Often he played two balls from the tee, sometimes shaking his head with dissatisfaction as his drive veered from its intended course. "Give me another," he would sigh to his caddie Fanny Sunesson, holding out his hand.

On the third green Faldo stuck a white tee peg in the green and putted towards it. Then he marched on the edge of the green and hit some shots from the straggly grass around the fringe. Sometimes he took a long, slow swing so that the ball flew out in a high parabola, dropped softly and rolled towards its target.

Other shots were hit with a firm rap

changes that transformed Faldo into the world's leading player. From time to time Leadbetter would step forward and from beneath the shadow of a wide-brimmed straw hat and behind a pair of dark glasses he would say something quietly to Faldo.

It was almost as if he was adjusting a painting, a hand here, a touch there, a few quick, quiet sentences. "He's looking awfully good now," said Leadbetter. "There are a lot more majors in him provided he remains healthy."

The procession headed by Faldo and his practice partner Mike Rulbert was marching down the seventh fairway when a fan screamed out at Fanny Sunesson. He wanted her autograph.

"No, no," said Sunesson, a blush rising to her cheeks. "Go on," said Faldo, walking on and saying over his shoulder: "It's coming to something when a player has to wait for his clubs because his caddie's signing autographs." He smiled. "In Sweden they applauded her on to the tee."

The appeal of Sunesson to Faldo is her professionalism. Her dedication mirrors his own. "She is a hard worker," said Faldo. "She trains physically to stay in shape. Humping a 40lb bag around is not easy, especially for a woman. There are not many men out here who exercise much more than raising their right arm."

The 18th came into sight, a welcome relief from a round that had begun 5½ hours earlier. Faldo's meticulous preparation was completed. He had walked the best part of six miles and, including the hour he spent on the driving range before he began his round, had hit as many as 200 shots.

He had done all he could to prepare himself. Whether or not he wins his second major title of the year, and his sixth in all, is now in the lap of the gods. On Tuesday night Faldo fell asleep over dinner with his wife Gill and was in bed by 9.30pm, sleeping the sleep of the just.

To dig the ball out and it flew low and fast at the flag. On the fourth hole, he must have hit 20 balls from varying positions around the green and from bunkers.

As he approached each green he would pull an orange-covered notebook from his back pocket. This showed the size of the green, the likely flag positions, the distances from bunkers to the flag.

"I am just checking the humps and bumps now," said Faldo. "This is practically all there is left to do in a practice round. I know what club I am going to take nine times out of ten by the time I have reached the ball."

When Fanny tells me the distances left to the flag that just confirms in my mind the club I should take."

As Faldo practised he was followed by David Leadbetter, his coach, the man responsible for the swing

that got him out of the rough last month

and into the top 10 in the world.



Winning drive: Faldo on his way to victory in the Open last month

## Rugby

## Botha carries 'Bok hopes

**S**OUTH Africa's athletes are home after a less-than-triumphant return to the Olympic Games following an absence of 32 years. Forty-second in the medal table, with only two silvers, is not the sort of performance to satisfy such a sports-mad country.

Today, however, the country's rugby players have an opportunity to make amends when the Springboks - as they are sure to remain known, despite the efforts of politicians to kill the "apartheid" designation - meet New Zealand's All Blacks at Ellis Park in Johannesburg.

It is South Africa's first official rugby Test since they drubbed a weak English side in 1984, and the first meeting between the two countries since the protest-wrecked 1981 tour of New Zealand by the Springboks.

In terms of national pride, there is a lot at stake for white South Africans - relatively few blacks play the game -

over the next week. In keeping with South Africa's generally somewhat breathless return to world sport, the Springboks are also due to face Australia's world-champion Wallabies in Cape Town next Saturday.

It is a schedule that ranks with the country's return to international cricket last year when, with less than a month's notice, the South Africans travelled to India to play three one-day internationals. They were outclassed in the first two but won the third handsomely.

A similar pattern for the rugby players would not be unexpected. For a team that has been out of international rugby for eight years, and which has never played together, to take on two such powerful and settled combina-

tions is extraordinarily ambitious, if not foolish.

There is also the matter of rules. South Africans worry that isolation has bred bad habits - particularly, lifting in

**Philip Gavith**  
prepares today's historic Test in Johannesburg

the line-outs - which neutral referees will penalise heavily. Indeed, the Australian officials who will handle today's match has indicated that he will crack down on illegal line-out tactics.

There are, therefore, alibis in abundance should the national

team take a pounding over the next week. Even so, Springbok supporters are pinning their hopes of victory on two factors: home advantage and 34-year-old Naas Botha.

The Springboks can, of course, be beaten at home - the formidable 1974 British Lions proved that - but it is never easy. Botha, however, is something else.

Almost certainly, the fair-haired fly-half and captain is the most controversial rugby player South Africa has produced. He made his debut for Northern Transvaal in 1977, aged 19, and has dominated South African rugby ever since, apart from a brief period in American football in 1983 as a kicker for the Dallas Cowboys and New England Patri-

ots. His involvement in professional sport caused fierce debate when he was then cleared to resume his career in the "amateur" rugby code.

Botha enjoys celebrity status in the Afrikaans media, which dwells lavishly on his every move. But, despite his phenomenal talents, many rugby followers outside the Transvaal accord him only grudging respect.

His precocious debut, and later captaincy of Northern Transvaal when they were near-invincible late in the 1970s and early '80s, won him adulation in Pretoria but enmities elsewhere.

Much of this was jealousy: rivals resented his match-winning qualities. They attacked his style of play, criticising

him for kicking the game to death and never tackling. His quick temper did not help; his frequent involvement in niggling off-the-ball incidents created an image as a poor sportsman.

Botha is certainly no angel, but it is unfortunate that his on-field gifts have sometimes been obscured by his personal life. His drop-kicking and punting abilities are legendary - testimony to superb balance and timing - and his tactical sense impeccable.

He also has a well defined instinct of self-preservation. It is likely that Michael Jones, the speedy All Black flanker, will have the task this afternoon of trying to stop Botha. If he does not succeed, he can reflect that other distinguished players, like Ireland's Fergus Slattery and Jean-Pierre Rives of France, have failed before him.

Today's game and next Saturday's against Australia will be shown live on ITV.

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They returned home from the World Cup as beacons of their country's glory. They feed on this. But they also enjoy a battle. It would be sad if automatic hostility replaced strategic battle-plans. Nothing undermines the enemy so much as a fizzing leg-break, as Mushtaq Ahmed can show. But then nothing provokes Pakistani fury as much as calmness from the opposition, such as the languid David Gower, or from officials, such as the unfortunate Roy Palmer at Old Trafford, who was quickly denounced as a member of the opposition.

Good behaviour is a 20th century innovation in cricket, and

a welcome one. In 1973 Arthur Fagg, a great umpire, bowed to the start of a new era of high pressure dissent in which we are stuck today. He was so angry with the West Indian captain Rohan Kanhai's abuse of one of his decisions in the Edgbaston Test that he refused to go on.

When the West Indies issued an official apology, Fagg agreed to complete the game, but said sadly: "If they will not accept decisions, there is no point carrying on... I don't enjoy umpiring Tests any more... There is so much at stake... the game has changed, and not for the better." He could have been speaking this summer.

Cricketer's ever-growing civil service is not the way to keep the peace. Its legal expansion cannot control the money and politics which let cricketers behave like prima donnas. The International Cricket Council's match referee (what an ill-conceived job) fined Pakistani substitute fielder Rashid Latif £120 for "serious and obvious dissent" at Headington. Next time, perhaps, offenders will have to miss pudding at lunch.

Umpires have always been the walking wounded of struggle for the honour of the game, and they must keep walking. Respect for umpires is crucial to cricket. If international pressure affects unpinning appointments or decisions, the game is done for. Just before the Old Trafford Test, I asked Javed Miandad, Pakistan's captain, about his country's cricket in England so far this summer. He was the essence of acquiescence, all happy, all comfortable.

"You must have been in a good mood after Pakistan's victory at Lords?"

"I'm always in a good mood," he replied.

This was public relations with a vengeance.

After many further attempts, ranging from food to social life, I had my last try at reaching an unguarded Javed by asking him whether he was enjoying his captaincy. He was ready for me.

"What is captaincy?... It doesn't make any difference to me... I wasn't keen, you know, to take the captaincy on this trip, but I've been forced by the Board."

Javed's soft, brown eyes would have melted the rubber off cricket bat handles. It has almost reached the stage where cricketers have two languages, one for the field and one for the media.

England at present are a team lacking distinctive features on the field of play, either of fast or slow pace, captaincy or generalship.

Graham Gooch is a hard-working, not an inspiring, captain. Smooth talk has never been one of his problems. I hope it will never have to become one.

converters.  
Power-assisted steering, central locking, four-speaker radio/cassette players and 60/40 folding rear seats are standard equipment.

Prices of the new and larger models are little higher than before. They start at £9,456 for the 1.3 GLi three-door and rise to £13,210 for the 1.6 Executive.

Automatic transmission instead of a five-speed gearbox is a modestly priced (£605) extra on most models.

A two-litre diesel engine option and a high-performance 1.8 litre Corolla GTi will be offered early next year.

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Pictured above left is the 1.3 GLi saloon, which costs £10,910.

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**SM**

## Motoring/Stuart Marshall

## Grand Prix way to road safety

**U**NBROKEN concentration and good judgment will win grand prix motor races. If everyone showed the same qualities in day-to-day driving, most road accidents could be avoided.

That is the gospel according to Dr Jonathan Palmer, who drove in 88 Formula 1 races, mainly with the Tyrrell team. He was also a highly successful driver in Formula 2 and 3, as

well as touring car and world sports car championships for Porsche and Mercedes-Benz.

He still acts as a test driver for the McLaren Honda F1 team. But Palmer's main activity at the moment is running the 1992 Cellnet Driver Challenge.

For three years, Cellnet, the mobile telephone provider, ran a contest to find the best business driver. It must have felt

the need to counter the popular image of a car "phone-user" as a man in red braces and a Porsche, making calls while driving one-handed on the M25 at 90 mph and almost touching the bumper of the car in front.

As the car "phone" market approaches saturation, Cellnet has plans for another kind of service that "non-company" people might hope to afford.

So, in preparation, this year's driver challenge was opened to every kind of motorist: mum in her Metro, cab and under-25s as well as high-mileage businessmen and women. Entry is free.

I joined competitors in the Reading heat this week. There were manoeuvring and smooth driving tests in a Toyota Carina E provided by Cellnet; a vision test; a brake reaction time test; a simple written examination on road safety,

and some horribly fascinating road crash case histories on video.

No, I will not be going on to the semi-final but I rated it an enjoyable and instructive morning. Anything to sharpen a motorist's awareness that concentration and good judgment are the secrets of safe driving has to be worthwhile.

■ ■ ■

THE FIRST nip in the morning air is a reminder that summer is drawing to a close and the two big motor shows of autumn are not far off. The Paris salon de l'automobile comes first October 8-18 at Porte de Versailles while Britain's international motor show opens at the National Exhibition Centre, Birmingham, on October 24 for a nine-day run.

The British show will be unlike any held before, either at the NEC or its previous venues, Earl's Court and Olympia in London. It will be combined with the Midlands autumn ideal home show; the same ticket (£7 for adults; children and senior citizens half price) admits to both events, which are on the same site.

There will be no heavy commercial vehicles, which are to have a separate show of their own at the NEC next year.

The organisers say the razzmatazz confined previously to press day will extend through the show. They do not mean scantily-clad women draped over car bonnets and tidal waves of champagne but live music and entertainment for the whole family.

Can it really be that people once went to motor shows just to look at cars?

THE SEVENTH generation Toyota Corolla, the world's best-selling car, arrived in British showrooms last week.

There is more than a hint of Toyota's top luxury saloon, the Lexus LS400, about its curvy styling - and the resemblance goes more than skin deep.

One reason why the sepia-tinted silence of the Lexus shock European executive class car-makers was the use

of steel/bitumen "sandwich" panels in critical parts of its body structure. They stifle noise and vibration at source.

The Corolla has them, too, together with gold-plated electrical connectors for aerospace reliability standards; occupant-protecting side impact beams in the doors; and a body shell made almost 90 per cent from galvanised anti-rust steel.

All Corollas have fuel-injected, 16-valve, 1.3 or 1.6 litre engines with catalytic

converters.

Power-assisted steering, central locking, four-speaker radio/cassette players and 60/40 folding rear seats are standard equipment.

## BOOKS

# Funny Girl with a torch

*Anthony Curtis reads a new biography of Broadway legend Fanny Brice*

"NO OTHER comedian succeeded so well in giving expression to the life of that audience, in raising it to a kind of art." T.S. Eliot's encomium of Marie Lloyd applies equally well to Fanny Brice. In her case, it was the life of the largely Jewish audience of New York's Lower East Side in the 1920s that she raised to "a kind of art" - but let us throw caution to the winds and just say to Art.

Fanny, whose ebullient personality was re-created in the Broadway musical (and later film) *Funny Girl*, was born Fania Borach to a New York Jewish couple in 1891. The family of Rose, her mother, came from Hungary and that of Charlie, her father, from French Alsace.

The name Brice was borrowed from Irish friends by Fanny when, as a young girl, she began to get work as an entertainer. Fanny used a Yiddish intonation in her early comedy routines. This tone, cultivated deliberately, was not exactly her ordinary voice. From the start of her career, she plugged the ethnic strain to create a unique rapport with her audience.

"Mrs Cohen at the beach" became one of Fanny's standards, a one-woman sketch she performed over many years, giving rise ultimately to impressions by other comedians of Fanny doing it. Luckily, a recording of Fanny herself doing it exists.

Like a gutsy Joyce Grenfell, and at about six times the speed, Fanny, in her monologue as Mother, evokes the presence of all the others as they picnic on the beach at Coney Island. A deckchair attendant suddenly appears and demands she pay for one of the children occupying a deckchair. "But she's only five years old," protests Fanny. "Only five! She looks much older," he ripostes. To which comes the reply: "Can I help if she worries?"

It was from these vaudeville beginnings that Fanny, a gawky lady with a prominent nose, graduated to

becoming the elegant Broadway legend re-incarnated in 1968 and 1975 by Barbra Streisand in the films *Funny Girl* and *Funny Lady*. Those visually stunning biopic movies were produced by Ray Stark, the husband of Fanny's daughter, Frances. Did they bear any relation to the original Fanny?

A new biography of Fanny, written brashly but compiled painstakingly, gives the answer. The outline of Fanny's chequered life, including her second and third husbands - Nick Arnstein (Omar Sharif) and Billy Rose (James Caan) - was broadly accurate. Fanny's slinky song "Sadie Salomé Go Home" was replaced by Styne and Sondeheim's clever, catchy "Sadie, Sadie, Married Lady" and, by the end, the female Jewish clown was eclipsed by Streisand's elegant, agonised torch singer.

The torch song, in which Fanny specialised when she became a star, came

into fashion in the prohibition era. A female singer would come on in a dimly-lit speakeasy to shed a flood of illumination on her inner life. This always concerned a man - or, rather, "That Man" - to whom she was in a state of hopeless emotional bondage; a man who was unfaithful to her systematically and disappeared without trace for days on end; a man who was a complete dead loss in every way except one.

The standard contents of the torch song mirrored exactly the course of Fanny's second marriage (the first one lasted only a few days) to the shady wheeler-dealer and gambler Nick Arnstein, by whom she had two children

FANNY BRICE: THE ORIGINAL FUNNY GIRL  
by Herbert J. Goldman  
Oxford £17.50, 308 pages

and to whom she remained loyal during his spells in prison.

Fanny took the torch song out of the speakeasy and on to Broadway as a show-stopping item in the *Ziegfeld Follies*, where she was one of its greatest stars. Her famous song "My Man" was acquired from Paris, where it had been sung since the turn of the century by Mistinguett as "Mon Homme" (in whose rendering it sounds like "marmar-er"). Cleaned up a little in the words, but with the same infectious music by Maurice Yvain, it served Fanny extraordinarily well.

After Arnstein came Billy Rose, a small man with vast showbiz ambition and mafia connections. His alliance with Fanny lasted harmoniously for a number of years as he grew in power and influence in the entertainment industry. Then, Billy cheated with the main attraction of one of his swimming spectacles, the ex-Olympic champion Eleanor Holm. Saul Bellow in his won-

derful novella about modern American Jewishness, *The Bellarosa Connection*, sees deep into Rose's character under the guise of fiction. So, finally, did Fanny and divorced him. By then, she was getting a little too old to appear in glamorous roles on stage and, in her private life, she preferred the company of women friends like Beatrice Lillie. She turned down an offer of re-marriage by the 70-year-old Arnstein.

What saved her sanity, her professional pride and her bank balance was radio comedy in its golden era. Rose had noted Fanny's trick of lapsing into baby language when she was piqued, and he got Moss Hart to write a sketch for her as Babykins. By the *Follies* of 1936, the idea had evolved into the character Baby Snooks, a precocious infant who delivered home truths as uninhibitedly as Mr Bones in the old minstrel shows. Fanny appeared as Baby Snooks on radio in Maxwell House's *Good News* of 1938, after which Snooks became a radio series with an avid nationwide audience. It ran steadily until the 1950s, comparable in popularity and hilarity to Britain's *Go On Show* but with only one main star and massive commercial backing.

In her last years, during the period after the Second World War, Fanny worked only in the broadcasting studio, rehearsing the latest episode of Snooks and spending the rest of her time as a lady of leisure. She died in 1951 leaving an estate worth \$2m. The rabbi who gave the funeral address quoted from the Bible: "The heart ennobles any calling..." It would be good to have Fanny's comment capping that.

Goldman's volume traces her career in full with many quotes from contemporary newspaper critics, and it includes useful lists of Fannyania covering books, magazine articles, records, stage, film and radio productions. Fanny does not seem ever to have appeared on television.



From the tomb of Ramesses, vizier of Egypt 1355-1350 BC - one of the many photographs by Graham Harrison in Egypt: The Living Past by T G H James, former Keeper of Egyptian Antiquities at the British Museum (British Museum Press £25, 206 pages).

## Breaking the code of life

ONE OF the most important programmes of scientific research ever devised is under way, in a massive cooperative effort in laboratories around the world. It is the Human Genome Project, and it concerns nothing less than the nature of man. In his entertainingly clear account, Robert Shapiro explains what it is and explores the exciting and sometimes alarming possibilities it offers.

Genome research is the province of that department of biological science called genetics. Genetics is the investigation of how organisms bequeath anatomical, physiological and behavioural traits to their offspring, and how such traits express themselves in the formation and development of individual organisms. Central

THE HUMAN BLUEPRINT  
by Robert Shapiro  
Cassell £16.99, 432 pages

THE CODE OF CODES edited by D.J. Keviles and L. Hood  
Harvard £13.95, 396 pages

genetics. Genetics is crucial in cystic fibrosis research and the attempt to understand Alzheimer's disease. But these advances are based on limited and partial knowledge of the human genome, which until recently presented too large a task for more piecemeal investigation.

Thanks to brilliant recent discoveries about how to read the genetic code, together with the bold imagination and resolve of scientists prepared to work together on a long-term international project, the limits on scientific understanding of the genome are being pushed back. At a meeting in San Diego, California, in October 1989, the Human Genome Project was launched, scheduled to take 15 years and promised \$3bn by the US government over that period.

With the right techniques established, and high-powered computer technology available, there is excitement among the researchers. What has been described as the "holy grail" of human genetics is close at hand.

James Watson, one of the discoverers of DNA and the Genome Project's head, has said: "A more important set of instruction books will never be found by human beings. When finally interpreted, the genetic messages encoded within our DNA will provide the ultimate pointers to the chemical underpinnings of human existence."

Shapiro takes us through the detailed story of how genetics developed, and lucidly explains the nature of the genome and the task of investigating it. In the collection of essays edited by Keviles and Hood the same terrain is covered, but more technically. Both books make admirable and successful efforts to equip general readers with a clear grasp of the issues - an important matter, because the future of genome research prompts a number of difficult questions.

This is illustrated by both books when they turn from explanation of the genome project to the consequences of its successful completion. Armed with so much genetic knowledge, will we be tempted to manipulate the genetic material of future people not just to exclude hereditary diseases, but to make them taller, more intelligent, more athletic? Should employers know the genetic profile of potential employees, some of whom they might refuse to employ because they have, say, a genetic risk of early death from heart disease? What policies should we adopt now that all this knowledge is rushing upon us?

Shapiro, and the contributors to the Keviles and Hood volume, issue us with an invitation to reflect on these questions while there is still time.

A.C. Grayling

## Stars in a political drama

David Spanier on Bush, Reagan - and others who didn't make it

do venture off the record. By now, experience surely has shown politicians of presidential calibre that everything they do or say it is going to be noted down and, quite soon, written up.

Granted, there is a kind of "true life confessions" appeal of the presidency, as if it is more than a mere political job. Otherwise, why produce such tomes, which have to be lifted with two hands?

The merits of brevity seem never to have crossed their publishers' minds. At least *The Turn*, an insider's account of the Cold War, manages to pull up at a mere 500 pages.

There is another reason why these sort of books are produced by members of the White House press corps. Political life in Washington is so much more open than in Whitehall, where the first instinct of officials is to pull down the blinds on insider gossip and put any comments they

White House, he remains a hollow man. Is this the man or is it the style of the telling?

For the overwhelming detail of this book is like a diet of meringues. Here, to take one of a thousand instances, is Dole combing his hair: "Now Dole stood and craned his left arm around his back, stretching to his right-rear pants pocket, and pulled out his barber's comb... Four strokes with the comb through the thick black hair... He twisted to replace the comb again and, as his left arm came around front again... the arm shot out ahead of him in a straight, twisting lunge..." And so on.

It is vivid, it is realistic, it is done admirably - the narrative is based on interviews with more than 1,000 people - but this is, properly, the technique of fiction. The inspiration for such writing comes, obviously, from Tom Wolfe, but then, he knew how much to leave out.

WHAT IT TAKES: THE WAY TO THE WHITE HOUSE  
by Richard Ben Cramer  
Chatto & Windus £20, 1,040 pages

PRESIDENT REAGAN: THE ROLE OF A LIFETIME  
by Lou Cannon  
Simon & Schuster £17.99, 948 pages

THE TURN  
by Don Oberdorfer  
Jonathan Cape £25, 514 pages

By contrast, *President Reagan* by Lou Cannon, a senior correspondent of the *Washington Post*, is a classic reporter's biography. Balanced, affectionate, but not afraid to be critical, it offers a mature account of the man and his presidency. Reagan, with his crinkly smile and cowboy gait, his quips and his courage and - as is clear

- his ignorance of so much of the affairs of state, never lost the affection of the American people.

Yet, there is a part of the man which no one could reach, not even Nancy (whose supporting role emerges as much more likeable, and sensible than has been supposed). He liked to see the bright side of life but he was more complex than is realised: "...he was a classic adult child of an alcoholic who had learned early in life to retreat from discord and unpleasantness." This book, focusing on key episodes of the presidency, offers a series of extended close-ups.

Reagan's greatest achievement was in moving so decisively to bring the Cold War to an end. In another insider's account, *Washington Post* journalist Don Oberdorfer slips in and out of the Oval Office and the corridors of the State Department as if he were there in person. Diplomatic exchanges and private conversations are reported in detail. The sources are first-hand. The result is informative but the technique weaving in so much anecdotal material, is rather tiring in the end.

The folksy old president, whose simple view of the Soviet Union as "the evil empire" set the stage for confrontation in a new arms race, was turned by the experience of super-power diplomacy into a family friend. It was like a happy ending in one of his old movies. At the Washington summit, when he trotted out the old Russian maxim "trust but verify," Gorbachev protested good naturedly: "You repeat that at every meeting." When the laughter died down, the old Hollywood trouper replied with a grin: "I like it."

The key to these momentous events, which were to transform the former enemy and super-power into not merely an ally but a recipient of American aid, lay in Reagan's own conversion. He saw the new opportunity, rose to meet it, and set the impress of the American eagle upon events. In the process, he confounded the many experts who derided his evident limitations.

## Slave trade's market forces

creature somewhat inferior to a human being.

The history of African slaves shipped to the New World begins in the latter part of the 16th century. Abolition of the slave trade by Britain and the US came in 1807. But the trade continued in bootleg fashion well past that date and beyond 1838, when slavery was altogether abolished in Britain.

The chief reason why such a

massive transhumance of slaves was possible in the first place is that slavery was an established practice in Africa and has indeed survived there to this day. Africans enslaved Africans: the Europeans were the big buyers of the day, who raised the pace of slave trading into a growth industry, complete with solid back-up support systems, including forts at the points of embarkation on African soil.

The appalling degradation the slaves endured, on the way to their terminal servitude and thereafter, is well-catalogued here. The main thrust, however, is the mutual influence between the enslaving societies and the emerging Creole culture of the enslaved Africans. Slaves ran away, revolted, had Christianity thrust upon them, but above all they evinced a sustained resilience which eventually enabled their

descendants to inherit a vibrant ethnic identity.

The process of symbiotic coexistence could often produce fine irony, as in the case of Lady Nugent who, visiting Jamaica in 1802, wrote in her diary: "The Creole language is not confined to the negroes. Many of the ladies, who have not been educated in England, speak a sort of broken English... I stood next to a lady one night, near a window, and by way of saying something, remarked that the air was much cooler than usual; to which she remarked, 'Yes, ma'am, him ratty too trash.'

An irony of graver historical import surfaces in connection

I N A FAMOUS passage of his *Sentimental Journey*, Laurence Sterne mocks the travellers Smelfungus and Mundungus for their "spleen and jaundice" with which they approach things foreign. Those who take a similarly spleenetic view of travel will be encouraged in their mordaciousness by Jeremy Black's account of the Grand Tour, which charts a formidably diverse array of difficulties.

He notes that "tips were a constant drain" and "venereal disease was indeed a problem."

"Some tourists found their drivers and porters fraudulent; others simply troublesome."

The chapter on War, Diseases, Accidents and Crime offers Black particular freedom to indulge his penchant for disaster: "Travellers fell down stairs, had accidents with guns and ran the risk of being knocked over in Paris, where there was an absence of paving stones."

The chapter on War, Diseases, Accidents and Crime offers Black particular freedom to indulge his penchant for disaster: "Travellers fell down stairs, had accidents with guns and ran the risk of being knocked over in Paris, where there was an absence of paving stones."

Elton Salmon

generally no more than a journal of how many bottles they have drunk, and what loose amours they have had." The *London Journal* of 1761 noted: "It is highly probable that, by means of our ladies travelling, some of our noble families may be honoured with a French dancing master's son for their heirs."

Black displays surprisingly little interest in the more voyeuristic pleasures of travel.

Most 18th-century writings about Italy express immense fascination with the customs of the Grand Tour in the past. He is, if anything, slightly less indulgent towards the flamboyant, anecdotal digressiveness of travel writing than overtly "theoretical" writers - who usually harbour a lurking fondness for ribald detail and striking turns of phrase. (Said, scrutinising 19th-century writings on Egypt, permits himself a moment of mild hilarity at an alarmed account of the dangers of excessive "freedom of intercourse with the natives".)

The key to these momentous events, which were to transform the former enemy and super-power into not merely an ally but a recipient of American aid, lay in Reagan's own conversion. He saw the new opportunity, rose to meet it, and set the impress of the American eagle upon events.

In contrast to both theorists and anecdotalists, therefore,

Black adopts a tone of extreme sobriety and caution.

The main task which he sets himself is that of assembling evidence. His comments on his material are restrained to the point of eccentricity: in many cases, definite conclusions are drawn only when they can be assumed safely to be unchallengeable.

The travellers whom he cites are themselves as shrewd and impulsive, however, that the fitness of the company is, in fact, oddly suspect. In setting them off, he is a book to which anyone interested in the Grand Tour will turn for a vast range of carefully ordered material, most of it from sources not available to the general reader.

He was prepared to make

use of the services of guides and porters, but he was also

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## ARTS

## Fiction

## Unreliable memoir

**I**T sounds harsh but it must be said. Michael Moorcock's "Psi" trilogy is the finest work to date of a 22nd-rate writer. But wait a second. Given a scale of literary excellence in which the top tier is occupied by Joyce, Dostoevsky and Proust, it is no mean achievement to be classified as 22nd rate.

That corrected perspective is essential for the reader approaching *Jerusalem Commands* (Jonathan Cape £15.99, 577 pages), because vastly inflated praise has been lavished on the earlier volumes, *Egyptian Endures* and *The Laughter of Carthage*.

Consider these comments by the literary heavyweights. Robert Nye writes that this trilogy "puts Michael Moorcock right into the front rank of contemporary English novelists". Peter Ackroyd insists that these novels "will be seen... as an imaginative record of our own time".

Angus Wilson had set the ball rolling as long ago as 1977 when he described the final novel of Moorcock's Jerry Cornelius tetralogy, *The Condition of Muzak*, as "one of the most ambitious, illuminating and enjoyable works of fiction published in English since the war". This work went on to win The Guardian fiction prize. All this does a disservice both to Moorcock and the reader.

Michael Moorcock appears to have jettisoned the SF and Fantasy-powered vehicle on which he ascended to literary stardom. He has 50 or more books to his name, including

the 20 volumes of the *Berserker* sequence, the award-winning formula titles which gained a cult following soon throughout the 1970s.

His career has been almost as protean as that of his brainchild Jerry Cornelius. He has appeared in his time with the cult rock band Hawkwind and he edited the influential science fiction magazine *Visions* from 1964 to 1971.

His metamorphosis from cult science fiction writer to mainstream novelist and darling of the British literary establishment was effected largely by his book *Mother London*, a series of sharp contemporary cameos set in his native city, which was shortlisted for the Whitbread Prize.

So what can soberly be said about *Jerusalem Commands*? This latest instalment in the memoirs of Major Maxim Arturovitch Psiavinski of the Don Cossacks, inventor manqué, cocaine addict, genius and bigot, shows Moorcock at his most assured and entertaining.

Its early backdrop, Hollywood in the 1920s, is minutely drawn and convincing. (In sharp contrast to the vague St Petersburg setting of much of *Egyptian Endures*, Moorcock is a pleasureable storyteller, at his best, when evoking a colourful milieu of this sort.) In *The Laughter of Carthage*, his prose creates a fine virtual reality of Istanbul which is sustained for page upon page.

The author's comic deployment of his protagonist Psi as an "unreliable narrator" is also at its most sophisticated. Its

Martin Mulligan

funniest instances concern Psi's ephemeral affair with Esme, the teenager whom he rescues from Istanbul's flesh-pots and who follows him to the US, only to abandon him for a rich Mid-Western cattle tycoon as soon as her liner docks at the New York quayside. The black humour of all this is lost only on Major Psi.

The lonely ravings of the much-travelled, prolepticising 30-year-old inventor (running a second-hand clothes store on the Portobello Road in his old age) which connect the narrative episodes are too frequent for my taste; there is only so much anti-Semitic and generally racist cant and rant I can take. These passages are meant to be heavy-handed and self-satirising, but their effect is finally tedious.

The novel takes an unexpected and cruel turn, when it becomes clear that Psi's film company on location in Egypt is bent on something far more sinister than making a movie about Tutankhamun; thereafter, it was like a bargain-basement Nabokov at work, complete with the blood-spattered horror but without the crystalline purity of prose which alone renders it bearable.

*Jerusalem Commands* and its companions together form a diverting, sometimes disturbing, often amusing series of novels. The hushed, reverential tones employed to describe them in certain literary quarters are completely undeserved.

Martin Mulligan

## At the edge

Rachel Ingalls is a more tentative, quiet writer, but as with Dorfman, her mastery of the short story lies in a sense of when to turn the fictional screw at an unpredictable angle. Her characters, like the mid-Atlantic spirits, are mousy and uncertain; she shows them

MY HOUSE IS ON FIRE  
by Ariel Dorfman  
Metheun £13.99, 167 pages

BLACK DIAMOND  
by Rachel Ingalls  
Faber £14.99, 279 pages

the descent from the normal to surreal, keeping a veneer of logicality, Ingalls is idiosyncratic and enjoyable. But too often she wallows in sentimental farce, as in the story of the adopted boy who searches out his true parents only to kill them in an incestuous orgy.

Ingalls is one of a cluster of American women writers whose short stories are being trumpeted to English readers by Faber. Zany yet cautious, Ingalls has her own style; she also has an unerring feel for social and period setting: the pressure in the optimistic, puritanical 1950s on teenage lovers; the cultural knowingness of an arty family with homes in Switzerland, Paris and New York are both evoked with a few deft strokes.

This works especially well in the Grail scenes of *Parfisal*, which are set in a gloomy hexagonal mausoleum and benefit from a strong sense of communal ceremony. The knight's silent ritual, married to Wagner's serene music and the unique Bayreuth acoustic, seems to inhabit its own time-world, generating a glow which is not easily dismissed or analysed – even after the audience has spilled out of the side-doors for the first interval. No other theatre (nor Göte Friedrich's anti-traditional Bayreuth production of the 1980s) offers a comparable experience.

Some sequences in the production



Poul Elming amid the flower maidens in this summer's production of *Parfisal*

## Wagner contra Wagner

Andrew Clark on dramas both on and off the stage at Bayreuth

**I**T HAS been an oddly unsettling summer at Bayreuth. The "younger" generation of the Wagner family (most of them now comfortably middle-aged) launched an attack of unprecedented vehemence on Wolfgang Wagner, the composer's 72-year-old grandson, who has run the festival single-handed since the death of his brother, Wieland in 1988.

By opening its doors to Plácido Domingo, Bayreuth succumbed to star fever, prompting questions about how far the festival is moving down the road of commercialism. Otherwise this year's performances failed to generate much heat (notwithstanding baking temperatures in the Festspielhaus), largely because for the second year in a row there were no new productions.

And yet the artistic balance sheet has been unexpectedly positive, not just in *Der Ring des Nibelungen* and *Der Fliegende Holländer*, the relative merits of which have been extensively discussed on this page in past summers, but in the more unlikely area of Wolfgang's own productions of *Tannhäuser* and *Parfisal*. Originally staged in 1985, *Tannhäuser* returned with a new cast and conductor, and some modifications to the decor. The *Parfisal* staging has matured since its rocky debut in 1989, and has been transformed by Poul Elming, singing the title role for the first time at Bayreuth (before being shunted aside by Domingo for the final two performances).

It has become fashionable to dismiss Wolfgang's productions as out-of-date, a pale imitation of the New Bayreuth style pioneered by Wieland. His approach certainly has not changed much since the 1980s. The decor for both works – neither abstract nor naturalistic – is austere, geometrical, with dim lighting and a thin wash of colour; the static (and sometimes wooden) poses adopted by the cast make a stark contrast to the current German vogue for extreme mobility, exemplified by the Kupper Ring, and the choreography of the flower-maidens alone renders it banal.

But what these productions lack in novel interpretation, they gain in their focus on timeless symbolism. There is no gimmickry, no ideological baggage. They have a kind of pre-ordained logic, achieving their goal by simplified understatement.

This works especially well in the Grail scenes of *Parfisal*, which are set in a gloomy hexagonal mausoleum and benefit from a strong sense of communal ceremony. The knight's silent ritual, married to Wagner's serene music and the unique Bayreuth acoustic, seems to inhabit its own time-world, generating a glow which is not easily dismissed or analysed – even after the audience has spilled out of the side-doors for the first interval. No other theatre (nor Göte Friedrich's anti-traditional Bayreuth production of the 1980s) offers a comparable experience.

Some sequences in the production

have been profitably reworked since it was new, but the main improvement comes in the casting of Poul Elming as Amfortas and James Levine, the part the same qualities of musicianship and stagecraft which have so distinguished his Siegmund. Tall and lanky in stature, he showed just the right kind of disingenuous pleasure at the flower maidens, swarming round him like the tentacles of a sea anemone. He met Waltraud Meier's radiant Kundry on equal terms in Act 2, and carried off the last act with aplomb.

The voice never sounded less than fresh and free, while his diction and phrasing were exemplary. With a Parsifal as natural as this, who needs Domingo? And yet it is the Spanish tenor's face – with the identical furrowed look that invariably graces the covers of his opera recordings – which is plastered around Bayreuth's shop windows, and will no doubt form the centrepiece of the video of this production.

Manfred Schenck was the other new-comer – an experienced and reliable Bayreuth performer who made a more

sympathetic Gurnemanz than Hans Sotin, but was still far from ideal. Bernd Weikl repeated his noble Amfortas and James Levine was once again the conductor. The self-conscious slowness of previous years has disappeared, the music was spacious, seamlessly unfolded but never belaboured. And the orchestral playing was faultlessly clean. With the Bayreuth chorus at its glorious best, the performance had many solid virtues.

So it too did *Tannhäuser*. Donald Runnicles, in his festival debut, offered a characteristically dynamic account of the score, whipping up the Act 2 choral procession into a frenzy, turning the Act 3 prelude into a soft, world-wearyдалекий эпос, emphasising the music's brilliance and extreme contrasts of mood: a young man's Wagner. The focus on episodic pleasures, however, tended to overshadow the wider span.

The new *Tannhäuser* was a little-known tenor from Düsseldorf, Wolfgang Schmidt, a capable actor with the right vocal stamina. His singing was secure and stentorian but lacked elegance. Tina Kiberg's tall and slender Elisabeth was a pale substitute for Cheryl Studer when the production was new. Eike Wilms Schulte, one of Germany's most eloquent baritones, proved a curiously ineffective Wolfram. The other Minnesingers, including Ekkehard Wlaschitz as Biterolf, were handsomely cast, and the chorus again played an outstanding role.

So it has been a year for appreciating Bayreuth's traditional strengths. But the debate about the festival's long-term direction – and particularly what will happen after Wolfgang goes – has begun in earnest, with the German press stirring the issue like a British royal scandal.

The immediate future is clear: the east German dramatist Heiner Müller, who has never staged an opera before, will produce *Tristan und Isolde* at the 1993 festival, and Domingo will sing all *Parfisal* performances (with Deborah Polaski as Kundry). The following year, when Wolfgang turns 75, will see a new *Ring* conducted by Levine and staged by the radical producer Alfred Kirchner. This summer may well have been the calm before the storm.

## Sing a tale of Europe



Matthew Scurfield (left) and Cesar Sarachu

tumbling to awareness in give-away moments – booking a holiday, intercepting a letter, falling in love – which unleashes nightmare consequences, from murder and plane crashes to lost babies and a wedding in a madhouse.

"The Archaeologist's Daughter", about a girl whose fears of adulthood last to her thirties and are symbolised by black mail from a possibly illegitimate sister and a group of Egyptian statue-collectors, is the best, reserved, fastidious style, slow rhythms, balance horror and magic. The effect is that of an Anita Brookner character transposed to Thomas Pynchon land. When she can manage

to rip through the plot, it is gripping.

Occasionally she forgets

about local colour, as in "The Passion of Nanny Jackie",

about a nanny who nurses a poet in his last months, and an individual voice seems on the point of emerging. But mostly this quirky talent is lost in Dische's gushing High School enthusiasm for her adopted city. Buy a guide book instead.

**Jackie Wulschläger**

associate, Detective Constable Jason Twitty, are obliged to join an amateur provincial choir, learn a demanding programme ranging from Amon to Mozart to G&S, and – what's more – catch a crook and deal with a murder in Ghent.

There, they have to establish

a liaison with the Belgian police, partly represented by a fiercely blighted sergeant. Kenyon has a lot of fun with his characters. Brit and non; and Peckover and Twitty continue to constitute an engaging and perspicuous pair.

Perhaps because of the built-in shock created by crime in a church, murders in ecclesiastical settings have long flourished,

and some lettings in which the atmosphere in which he lives.

Simon McBurney, the director, writes in a programme note that Schulz's writing "provides no obvious key to drama". This production by Theatre de Complicite, of which McBurney is the founder, comes up the National Theatre Studio, where they experiment, trying every word and generally make it up as they go along. It is the same process that recently produced a magnificent *Uncle Vanya*.

*Crocodiles* in its way is magnificent, too. There is a wonderfully sustained musical accompaniment, composed and adapted by Gerard McBurney (brother of Simon) which certainly reminds us in what part of Europe we are. There is some remarkable staging. At the start, one character walks down a vertical wall, pausing only to put on his hat. Another

is shot in the head.

Juggling half-a-dozen stories at once and all of them interesting, Kate Charles skims on the actual murder story itself so, after some leisurely, digressive storytelling, the solution arrives in a rush; but never mind, love conquers all, the book ends with a happy feast, after the wonderful set piece – the National Pilgrimage to Walsingham – which is the novel's climax and great achievement.

**William Weaver**

## Airs in the castle

**S**UMMER chamber-music festivals proliferate. Leading musicians, whether singly or in groups, long to step off the international concert circuit of one-night stands in far-flung cities; and when the weather improves, the craving to come to roost among like-minded spirits for music-making in reposeful, artistically refreshing circumstances grows in parallel.

The inauguration of the Marlboro Music Festival in Vermont in 1950 was Rudolf Serkin's method of satisfying just such a desire; other methods have been found by – to name only a handful – Richter at the Granges de Meslay, Hermann Kiman at Kuhmo, and most recently András Schiff at Mondsee. Indeed, the number of lively variations on the theme prove that the combination of special place, programme rationale and performers can, when successfully deployed, hold a precious appeal for artists and audiences alike.

A new Swiss festival can be added to the list. It is the Kyburgiade, which owes its

name to the castle (8 miles south of the city of Winterthur) in whose courtyard most of the events are held. It has been devised by Stephan Goerner, cellist of the Zürich-based Carmina Quartet, and consisted of a Thursday-to-Sunday succession of five concerts with a tight thematic binding to their programmes (music of the 1824-39 period).

The cast of players was limned:

the Carmina, the Hagen,

the Schubert Quintet (for the rest

of the festival the entire platform was rubbed down with insect repellent).

During the second, given by the Vogler, distant lightning

began to flash, and after the interval a fierce wind brought

a magnificently concentrated

account of the Schubert G major quartet to a midpoint close: the Swiss Radio microphones – all the concerts were being broadcast live – had been insufficiently weighted,

and were about to crash down

upon the players. Winds,

again, blew and clouds gathered

during Sunday evening's

Carmina finale; the threat of

storm (though realised only

next morning) lent urgency to

the proceedings.

In spite of every such hazard

the spirit of chamber music

flourished in this outdoor

"chamber". The programme provided a continual source of stimulation in forging links between the carefully juxtaposed programmes.

Similarly, there was continual interest and illumination in contrasting the technical styles and interpretative modes of address of the three quartets: the Hagen, lyrically relaxed (sometimes to a fault); and the first violinist's intonation wavered far too often; the Vogler, athletic in the very best sense, building up an energy in their Beethoven Op. 133 that was at once vigorously intellectual and thrillingly physical; and the Carmina, whose breadth of phrase, close-blended ensemble and unforced corporate musicianship joined to communicate interpretative maturity of the richest and deepest kind.

Above all, the four days offered cumulative testimony that the festival ethic, when treated as an ideal rather than merely a tourist attraction, retains imperishable cultural value. Future Kyburgiades will surely expand their programme range and width, will no doubt deal with the incursions of the elements hardened by this year's alarms and excursions. The basis of the enterprise is already firmly founded, and the future looks bright.

**Max Loppert**

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## ARTS

# Quest for the bare essentials

**Susan Moore meditates on the uneasy British attitude to nudity in art**

**T**HE British have never been entirely at ease with the idea of nudity – even in art. The moral authority of the classical or Renaissance nude, no less, failed to assuage the lurking sense of shame or embarrassment that had its roots in the chill climate of puritanism. Witness the vast plaster fig leaf that used to be hooked on to the cast of Michelangelo's *David* every time Queen Mary visited the V&A.

For its second display in the "Crosscurrents" series, the Tate Gallery dips into the irresistible subject of the nude in art. The 22 paintings, supplemented by two sculptures, are drawn exclusively from the gallery's holdings. Revealingly, they constitute virtually *its entire holding of nudes by British artists*.

William Etty, unusually, delighted in the art form, attending daily life classes at the Royal Academy Schools long after his student days were over. His depiction of the tale of Candaules, King of Lydia, exhibited in 1830, is typical of the subjects from classical history that allowed him to clothe his nudes with a modicum of respectability.

Herodotus records how Candaules, being so proud of his wife's beauty, insisted that Gyges, his favourite officer, should spy on her in her nakedness. Etty audaciously places the Queen centre-stage and paints her as a voluptuous full-length nude, albeit viewed from behind. In its hot, sensual colour and succulent glazes, it harks back to the great Venetian and Flemish masters. It was far too suggestive of the pleasures of the flesh; the picture was deemed indecent.

Etty marks the end of one great European tradition and hints at another. Beside this contrived *Candaules* hangs a striking life study. Although the model is still idealised, and her features discreetly lost in shadow, it has an honesty and a substantiality that prefigures Courbet. Only a Courbet, however, could have the temerity to take a life study and call it a finished work of art.

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Sickert is the first artist here to take on the earthy realism of the French. He wanted his art to deal "joyously with gross material facts". He depicts *La Hol-*

*landaise* – Balzac's prostitute – as her customers might have found her, lying on a bed, with her breasts, thigh and calf catching what little light there is in the expectant gloom of a small, shabby room. The picture positively reeks of sex.

The pitch of eroticism wavers between the steaminess of Sickert and the chaste *Love Locked Out* of 1889 by Anna Lea Merritt – although eyes less innocent than Mrs Merritt's might find homo-erotic appeal in her youthful Cupid. The picture is in fact a memorial to her husband who died three months after their marriage. Etty whets the voyeur's appetite, Mark Gertler offers the male fantasy of the harem. His odalisque is a hideous, over-ripe and ruddy-toned creature, a real poor-man's Renoir. Contrast her with Sir William Nicholson's truly sensual stretched-out wife.

Lord Leighton's bronze *Sluggard* has languor, Euan Uglow's *Zagi* a cool objectivity. Dod Proctor's Impressionistic orchard scene is the only erotic female nude here painted by a woman.

Mrs Merritt and Maurice Greiffenhagen perpetuate the Renaissance notion that any concept or emotion could be expressed by the human body.

There is an affecting tenderness too in Victor Pasmor's intimate oil of his wife curled up on the bed, her flesh stroked by gentle touches of pink, yellow, white and grey. That emotion is given monumental expression in Glynn Williams' Ancester stone walking couple, who lie side by side, holding hands and touching feet.

The nice distinction between nudity and nakedness is exploited this century. Steer's seated nude of around 1900 was indecorous because his model, by wearing a fashionable black hat, made it clear she did not represent a classical ideal but a modern woman who had taken her clothes off. Gwen John's *Nude Girl*, painted a decade later, is not idealised, unmistakably naked and uncomfortable. Perhaps the ever-sensitively Gwen John remembered her own experiences as a model.

The academic practice of drawing and painting the nude from life may have survived (and accounts for many of the canvases here) but the notion of perfecting Nature had long gone. The Nude was hauled off her pedestal and not so much recorded warts and all as bared, and exposed. In the recent Lucian Freud here, the human body is less exposed than interrogated under harsh electric light, and brutalised by pigment.

What unites the realism of Freud, Auerbach and Uglow is an intense, intrusive scrutiny. Their canvases sometimes take years to complete. They seem to believe that if they look long and hard enough they may find the essence of their subject.

Uglow's scrutiny is more dispassionate. In one sense Zagi's carefully observed and meticulously placed flesh tones are not so far removed from the art-for-art's sake harmonies of the equally remote *Reading Girl* by Théo

dore Roussel (an honorary Brit because he studied with Whistler). Yet he, too, attempts to pin down his quarry. His eye has a precision that might almost come from focusing through the crosswires of a telescopic sight.

"The Painted Nude: From Etty to Auerbach" continues at the Tate Gallery until December 7.

**T**WO of the century's leading composers, Darius Milhaud and Arthur Honegger, celebrate their centenary this year. About the least important thing about them is their belonging to the short-lived group Les Six. Even during the early Twenties Milhaud and Honegger wrote much music that had nothing to do with that remarkably successful PR operation. None the less they were regarded as pillars of the avant-garde, surviving that precarious status to become respected figures.

Honegger died in his sixties, Milhaud outlived him by 20 years. He wrote such a quantity of music that it is hard to find one's bearings. The shoal of recordings published for the centenary, some new, many transfers to CD, give a fair idea of his range and versatility. So many works are involved that one cannot name them all, let alone give a complete list of performers.

The two single-disc "volumes" The Darius Milhaud centenary on the Prague label are live performances recorded in Prague over the past two

## Record Review/Ronald Crichton

# Milhaud and Honegger

decades – Milhaud's music has long appealed to Central Europeans. Two distinguished visitors are included among the Czech performers. Many of the recordings, like the fine *Violin Sonata* no. 2 of 1918, were made at a time when technical means were limited. Rough surface does not dull the passionate playing of the Belgian violinist, André Gertler. This first "volume" (PR 250 007) is titled, not quite accurately, "Musician of the twentieth". The only work from the ambience of Les Six is the inescapable *Le Boeuf sur le toit*; in this, and in the *Carnaval d'Air* for piano and orchestra, rhythms are a shade stiff – a reminder that Bohemia is a long, long way from Brazil.

The second "volume" (PR 250 008), is all chamber music. It includes the familiar *Suite d'après Corrette* for three winds and the irresistible *Chansons*

*de nègresse* sung by Brigitte Fassbaender. Most valuable, because it is becoming clear that his choral music is among his finest, are the two Poems by Blaise Cendrars for unaccompanied voices.

There are two striking choral works among Chant du Monde's Darius Milhaud (LDC 278 1069). *La Mort du tyran* ("The death of the tyrant") is a setting of an extraordinary piece of rhythmic prose by Diderot, from the Latin, describing the Roman mob furiously clamouring for a successor to an unpopular emperor. *Le Château de feu* ("The castle of fire") was written later, after the holocaust, for a big manifestation in honour of the French Resistance. Small orchestra, antiphonal chorus, grinding dissonance. A disturbing, harrowing work. The ever-welcome *Suite prokofieviana* brings balm, likewise the

miniature song-cycle *Catalogue de fleurs*, limpidly sung by Irene Joachim, a famous Mellandre whose name is not given. Nor does one find the names of the bodies who, under the composer's direction, sing and speak the two choral works so ferociously.

Also new is DC's record (435 432) of the *Symphonies Nos 1 and 2* with the invaluable Michel Plasson conducting the Capitole Orchestra of Toulouse. These symphonies come from the series for large orchestra begun in 1939 with a commission from the Chicago Symphony Orchestra. They are distinct from the earlier "chamber" symphonies, one of which is included in the first Prague volume. Textures tend to be thick and busy (it may be relevant that Milhaud had the paintings of Kokoschka) but there is plenty to enjoy once you accept that he wasn't

writing in the Viennese classical tradition.

The purely Mediterranean side of Milhaud can be heard in his piano music, much of it simple, presumably intended for private use. In the solo disc from Arcobaleno (Darius Milhaud 1892-1974, SBCD 5400) there is an engaging, lyrical melancholy about the two *Printemps* suites and *Automne*, the latter written after a visit to Portugal. *Automne* ends with an "Adieu" as haunting as a distant fado. The sympathetic pianist is Billy Eddi.

The other centenarian, Honegger, makes his appearance on a Pearl disc (Honegger and Milhaud conduct their own music, GEMM CD 9459) which revives some very old memories. Honegger's once celebrated picture of a steam locomotive, *Pacific 231* remains a successful genre piece. The companion piece *Rugby* is less

convincing. The main attraction is Milhaud's *La Crâture du monde*, a smoky masterpiece made out of blues and Bach. It was this performance by crack French wind players that won me for Milhaud's music years ago.

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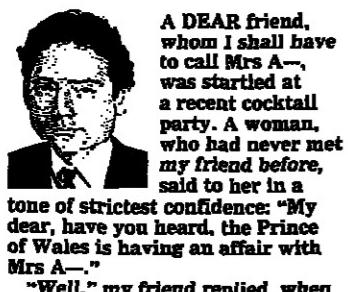
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A DEAR friend, whom I shall have to call Mrs A., was startled at a recent cocktail party. A woman, who has never met my friend before, said to her in a tone of strictest confidence "My dear, have you heard, the Prince of Wales is having an affair with Mrs A.?"

"Well," my friend replied, when she regained her composure: "I am Mrs A., and if the Prince of Wales is having an affair with me, he could at least have had the courtesy to let me know."

At this point her interlocutor retreated in some confusion. But my sympathies are with the gossip. If she had addressed her famous remarks to any other person - with the exception of the Prince of Wales himself - she could have been sure of a credulous response.

**S**I X YEARS out of Cambridge with a history degree, aged 29, Rod Williams has never had a proper job.

But he is not unemployed. He sits in his bedsheet at the top of a house in Kentish Town, north London, for up to seven hours a day, typing. When he has had a good day he treats himself to a curry. When things have gone badly, he doesn't.

Supported by the dole, a bank overdraft, part-time teaching and the occasional windfall - an Arts Council grant, a privately-funded prize - he spends about £100 a week. He has no wife, lover or children to worry about.

Rod Williams is a playwright, in a country where the creative artist is too often regarded as an eccentric supernumerary and at a time when the market for new plays has probably never been smaller.

"If it rains," he said, "I get wet feet. All of my shoes have got holes."

This is not a hard luck story. Williams has volunteered for his life on the fringe. He is not obsessed, not driven by an impetuous Muse. Furthermore, he has had a success.

His first play, *No Remission*, a gripping study of three lifers in a prison cell, was awarded second prize in the Mobil/Royal Exchange competition in 1988, was staged on the Edinburgh Festival fringe in 1990 and today comes to the end of a highly-praised run at the Lyric Studio in Hammersmith, London. Success may be intoxicating but it does not pay many bills. Williams has earned terrific plaudits from *No Remission* and £600 in cash. Poverty, he told me, is a grind.

The only way to improve as a writer is to write. It's a bit like clocking up mileage. On the other hand, writing is a very solitary activity and the poorer you get the more solitary it becomes because your social life withers away. You don't meet people through work.

"I've certainly felt over the last two or three years 'My God, now I know what the grind of poverty is like.' Of course, I'm not homeless or anything. What I'm experiencing is nothing compared to real poverty, but it's a grind compared with what I've been used to."

Williams is used to a comfortable middle-class life in the Home Counties. His father is a Canadian lawyer who moved to England and married a British girl. His parents divorced when he was 11, but he was able to go to Bedales School and won a place at Trinity College, Cambridge.

He is quick-witted and softly spoken, a bit earnest in the articulation of his views, occasionally comic. He has a sophisticated, sceptical and very independent mind, and plays Scriabin on the piano. He wrote his first play at the age of nine, a court-room murder story. For it, he bought large quantities of fake blood which he stitched in sachets to the schoolboy actors' T-shirts. Unluckily, the blood leaked out long before the planned finale of multiple stabbings.

At Cambridge he made three short films. Then BBC Scotland showed interest in a TV play and Williams, though by now realising that very few people make a living from playwriting, was committed.

After *No Remission* he wrote *Creative People*, the story of a power struggle in a telephone sales company caused by the arrival of a cut-trained new manager. Again the BBC has shown interest, again without result.

His third play, finished last week after two and a half years, is a satire about cronyism, the fashion for having your body deep-frozen after death for eventual revival when science solves the problem of how to do it. *The Life of the World to Come*,

## Prince Charles is seeing . . .

*Dominic Lawson spills the beans about the secret life of gossip*

The information would soon have been hurrying around *le tout Londres*. Indeed it is quite likely that many of Mrs A.'s friends had already been apprised of the non-existent scandal - and were talking to each other of little else that week.

It does not take long for society - which in these undiscriminating times includes the higher ranks of the journalistic profession - to be utterly convinced of any number of imaginary illicit relationships. Of course it may be that one or two of them may happen to be real. But how would anyone actually know that X was Y's lover? There really is such a thing as "just good friends".

In the days when divorce was almost impossible to obtain without evidence of adultery, it was necessary for the "guilty party" to contrive to be observed - usually by a private investigator - *in flagrante delicto* with the lover. Nothing else would satisfy the court's desire for genuine evidence.

The same degree of proof tends still to be demanded by the libel courts, which is why the journalistic element of café society is reluctant to publish even a fraction of what they claim to know about the love affairs of the famous and high-born.

Lower down the gossip ladder the names of these phantom women are less readily available. Instead

laws were less demanding. Once the title tattle has appeared in print it is at least possible for the victims to damn the stories publicly as lies. Instead they are subjected to an interminable whispering campaign, which it is as easy to counter as it is to shoot a ghost.

In the corridors of the Palace of Westminster and in the air-conditioned open-plan offices of Fleet Street's diaspora the names of mistresses of the most senior cabinet ministers are bandied about insouciously by know-all who know nothing.

Lower down the gossip ladder the names of these phantom women are less readily available. Instead

one is told that Cabinet Minister X's girlfriend "is black and lives in Brixton" as if such apparent detail was proof that there must be something in it.

**T**he recent "revelation" in the tabloid *New York Post* that George Bush had had an affair with Jennifer Fitzgerald, the deputy chief of protocol of the White House, perhaps came as something of a surprise to the US people, but was stale stale news to the cocktail party whisperers on both sides of the Atlantic. Why, everybody knew that.

Of course they did not know it, and now that the *New York Post*

- operating in a country with relatively lax libel laws - has tried to do its bit for the Democratic presidential campaign, Bush has for the first time had the opportunity to denounce as a "sleazy lie" one of the shiniest old items of Washington gossip.

It being August we are unfortunately in the height of the gossip season: the vacuum of real news is the environment in which trivia seem of compelling importance.

So all I can do is offer two retorts, useful for countering the party trawling gossip whose stories you wish to squash without actually being rude about it. They are: "How interesting. What is your evidence for this fascinating piece of information?" or, more archly "Oh really? And are you personally acquainted with the lady?"

■ *Dominic Lawson is Editor of The Spectator.*

## Major Major Major

*Michael Thompson-Noel*



I FIND John Major puzzling. Nothing ever daunts him. The British prime minister has backed himself into a shockingly tight corner on the UK economy and the European exchange rate mechanism, yet he just keeps smiling. Bullets bounce off him. He is unmarked by criticism. No foe can vanquish him. He continues to watch cricket and to enjoy simple food. He is obviously a happy man, loved by the people. He smiles like a saint.

I think I have found the reason. I stumbled on it this week when reading Barry Gifford's novel, *The Wild Life of Sardor and Isida*, in which Gifford, *en passant*, recounts the story of the five Chinese brothers.

The five Chinese brothers were identical and lived with their mother. One brother could swallow the sea; another had an iron neck; another could stretch his legs an unlimited distance; another could not be burned; the fifth could hold his breath for ever.

The Chinese brother who could swallow the sea went fishing one morning with a small boy who had begged to accompany him. The Chinese brother allowed the small boy to go with him on condition that he obey the brother's orders promptly. The boy promised he would do so. At the shore, the Chinese brother swallowed the sea and gathered some fish while holding the water in his mouth. The boy ran out and started to collect items of treasure.

The Chinese brother signaled for his companion to return, but the boy did not pay any attention. The brother motioned frantically for the boy to come back, for he knew he would burst unless he released the sea. But his friend did not respond. The brother let the sea go and the boy disappeared.

The Chinese brother was arrested

## HAWKS & HANDSAWS

and condemned to have his head severed. On the day of execution he asked the judge if he could be allowed to go home and say goodbye to his mother. The judge agreed, and the Chinese brother who could swallow the sea went home. The brother who returned was the brother with an iron neck.

All the people in the town gathered in the square to see the sentence carried out, but when the executioner brought his sword down, it bent, and the head was not severed. The crowd became angry and demanded that he be drowned. On the day of execution this brother asked if he could go home and bid his mother farewell. The judge permitted it.

The brother who returned was the one capable of stretching his legs. When he was thrown overboard in the middle of the ocean he rested his feet on the bottom and kept his head above water. The people were furious and decided he should be buried.

On the day of execution the Chinese brother asked permission to go home and say goodbye to his mother. The judge said: "It is only fair," and agreed to it. The brother who returned was the one who could not catch on fire. He was tied to a stake and stacks of wood were lit, but the Chinese brother remained uncaptured.

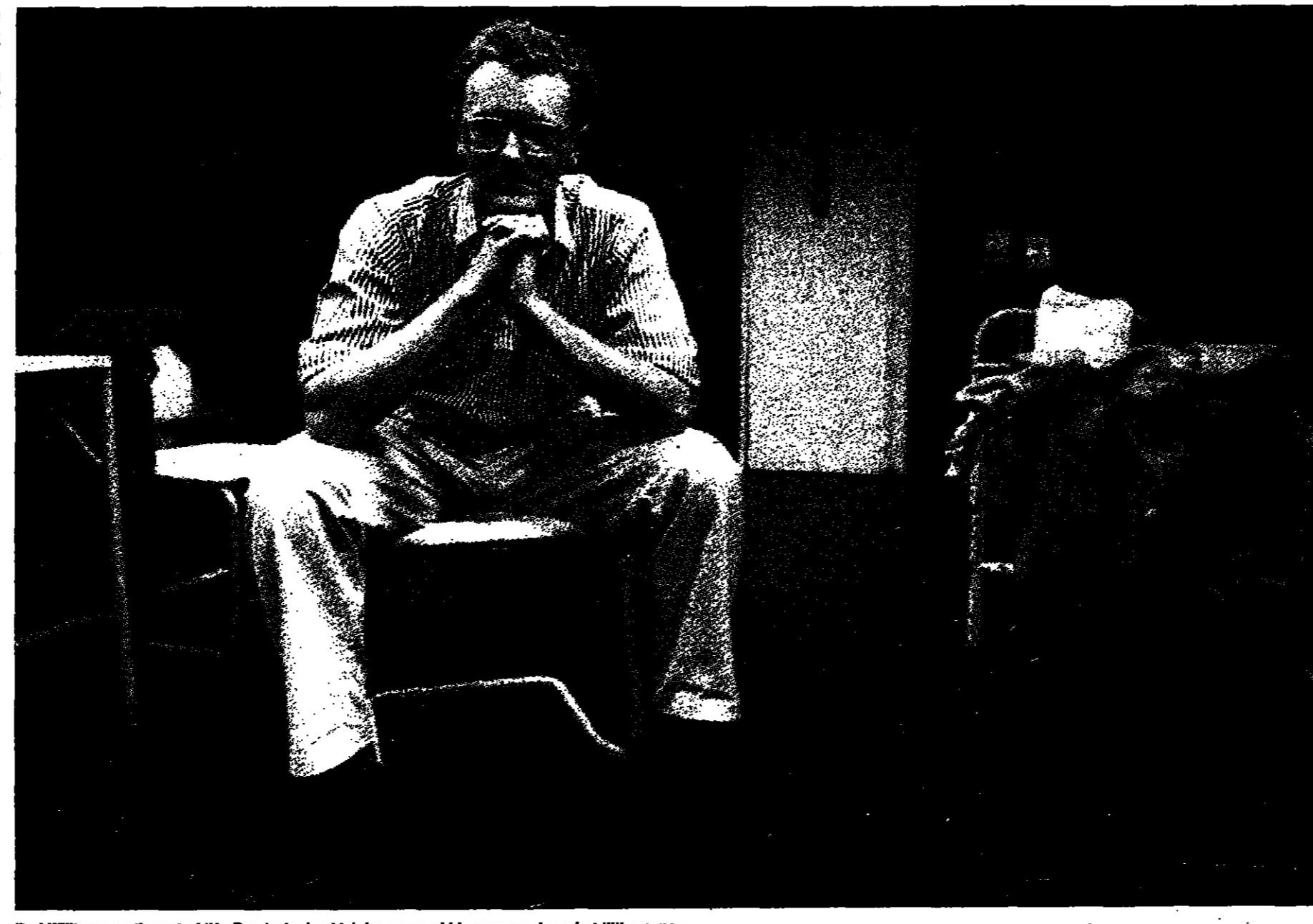
The people became so infuriated that they decided he should be smothered to death. On the day of execution, the Chinese brother asked to be allowed to go home to see his mother. The judge agreed. "It is only fair," he said. The brother who returned was the fifth brother, the one who could hold his breath indefinitely.

He was pushed into a brick oven filled with whipped cream and the door was locked tight until the next morning. When the door was opened and the Chinese brother emerged unharmed, the judge declared that since they had attempted to execute him four different ways, to no avail, he must be innocent, and ordered the Chinese brother released, a decision supported by all the people. The fifth Chinese brother then went home to his mother and he and his brothers lived happily ever after.

I read this story with mounting excitement. Later, I dialled No 10 Downing Street and asked to speak to the first John Major. You can do this if you have the special codes and if they know you.

"I was connected at once. "How extremely nice of you to telephone me," said the first John Major. Ten minutes later I dialled again and asked to speak to the second John Major. I was connected at once. "How extremely nice..." he said.

I dialled three times more. There are five John Majors living in Downing Street. I believe they are there for good.



Rod Williams on the set of 'No Remission', which has earned him rave reviews but little money

Private View/Christian Tyler

## Playwright seeks fair trial

involving seven characters, Americans, in Caribbean tax haven, is intended not so much to mock cronyism as to satirise what Williams regards as the primitive superstition of even advanced societies.

I asked the author why, in *No Remission*, he had chosen a prison and a vernacular so far from his own experience.

"I think you have an intuition, an instinct. It sounds like a crazy idea: I hadn't been to prison. People warned me that however good the play was it wouldn't ring true, and if it did ring true, nobody in the theatre would know it and would suspect that it didn't. But when you read what you're going to write about, nothing is going to stop you.

"It was another crazy idea to write a play in a foreign language, American. But you're driven to write when you have a hunch that you'll be able to do it."

A former lifer from Barlinnie jail declared *No Remission* to be the best play about prison he had seen.

A group of convicts' wives were reduced to tears by it and said it was too strong to be shown to inmates.

"To me, socialism was a form of hubris. It claimed an understanding of society and culture and economics: the boldness of its claims was so total and yet so completely wrong."

"We've written a play about prison," Williams said, "but prison is just bricks and iron, a destination where

people end up. In a way prison represents: I don't want this to sound too high-falutin' - their fate for at least two of my characters."

Fate, as personified by ancient Greek tragedy, played a large part in Williams' inspiration. He has become an avid reader of Aeschylus and Sophocles and finds confirmatory solace and stimulus in Aristotle's *Poetics*.

"For me style and form are subordinate to content. The problem of drama is how to compress so that everything is essential - how to avoid the prosaic. That is something into which Aristotle had tremendous insights. Every time I read the *Poetics* a new sentence will

"Are you fatalistic yourself?

"Not in any superstitious sense. Only in the sense that character is fate and in so far as I think your cognisance of your own character is much more limited than you realise. I think that's also true of a culture and it's a kind of hubris to claim to understand it more than you are able to do it."

"Even if it's written for a designated audience?"

"Well, I haven't any time for that. Political plays, like melodrama, become obsessed with the villain - in this case Late Capitalism is usually the villain and it has to be personified in a totally implausible way."

"For a play to last it should create its own life, he continued. Too many relied on current topics or

opinions to give them a third dimension. "In ten years' time those plays will just look two-dimensional again."

Then what motivates you to write plays?

"I look at it this way. I write for myself: I write for me as the audience. I hope there will be another big audience for what I write. There's the pleasure of writing and polishing dialogue. There is a pleasure in being the God of your own world. I suppose I'm rationalising *post hoc*: I haven't got pat answers..."

"I suppose the desire to force people to see things your way. I suppose that's what you do. You give them a vision of reality and they have to accept it. The nice thing is you never know what people are going to say."

"I want them to enjoy themselves; that's another thing. But I haven't got an agenda. The writing of the play is an end in itself. Obviously I want it to be enthralling. People might misunderstand it. But if they enjoy it and they get something out of it, that's the bottom line."

"There is a view that a writer wants to change the world. I just don't know if I do or not. I think it is true that I want people to look at the stuff and say 'Yes, this is real.'

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